



CITY COUNCIL STAFF REPORT

MEETING DATE: February 19, 2003

JANUARY 2003 FINANCE & INVESTMENT REPORT

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY:

Attached is the monthly Finance and Investment Report for the period ended January 31, 2003. The report covers the first seven months of activity for the 2002/2003 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

FISCAL IMPACT: as presented

Agenda Item # 1

Prepared By:

Finance Director

Submitted By:

City Manager



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2002/03
FOR THE MONTH OF JANUARY 2003 - 58% OF YEAR COMPLETE

This analysis of the status of the City's financial situation reflects 58% of the year. However, certain of the City's current year revenues, such as franchise fees, have not been received as of this time of the year.

- * **General Fund** - The revenues received in the General Fund are approximately 52% of the budgeted revenues. The amount of Sales Tax collected is 52% of the sales tax revenue budget and is 9% less than at this time last year. Business license and other permit collections are 83% of the budgeted amount. This is due to the amount of business license renewals collected in June and July. Motor Vehicle-in-Lieu revenues are 60% of the budgeted amounts, up 9% compared to last year. Interest & Other Revenue are only 38% of budget and reflect interest earnings through December. The amount of Interest & Other Revenue collected is low because the City did not begin to collect rental income for Community & Cultural Center rental activity, since the Center is not yet open, and because declining interest rates have generated less interest earnings.
- * The General Fund expenditures and encumbrances to date total 54% of the budgeted appropriations. The outstanding encumbrances in several activities are encumbrances for projects started but not completed in the last fiscal year; these projects and the related encumbrances are carried forward from the prior fiscal year.
- * **Transient Occupancy (Hotel) Tax** - The TOT rate is 10%. The City received \$469,711 in revenue for the first two quarters of the fiscal year. The amount received was 1% more than the amount received in the same period for the prior year.
- * **Community Development** - Revenues are 69% of budget, which is 26% more than the amount collected in the like period for the prior year. Planning expenditures plus encumbrances are 63% of budget, Building has expended or encumbered 54% of budget and Engineering 59%. Community Development has expended or encumbered a combined total of 59% of the 2002/03 budget, including \$408,753 in encumbrances.
- * **RDA and Housing** - Property tax increment revenues of \$10,000,376 have been received as of January 31. Redevelopment expenditures plus encumbrances for Business Assistance and Housing are 42% of budget, including \$1,842,264 in encumbrances.
- * **Water and Sewer Operations**- Water Operations revenues, including service fees, are 67% of budget. Expenditures total 49% of appropriations. Sewer Operations revenues, including service fees, are 54% of budget. Expenditures for sewer operations are 57% of budget.
- * **Investments maturing/called/sold during this period.** - During the month of January, \$2 million in federal agency investments was called. Further details of all City investments are contained on pages 6-8 of this report.

CITY OF MORGAN HILL
Monthly Financial and Investment Reports
January 31, 2003 – 58% Year Complete



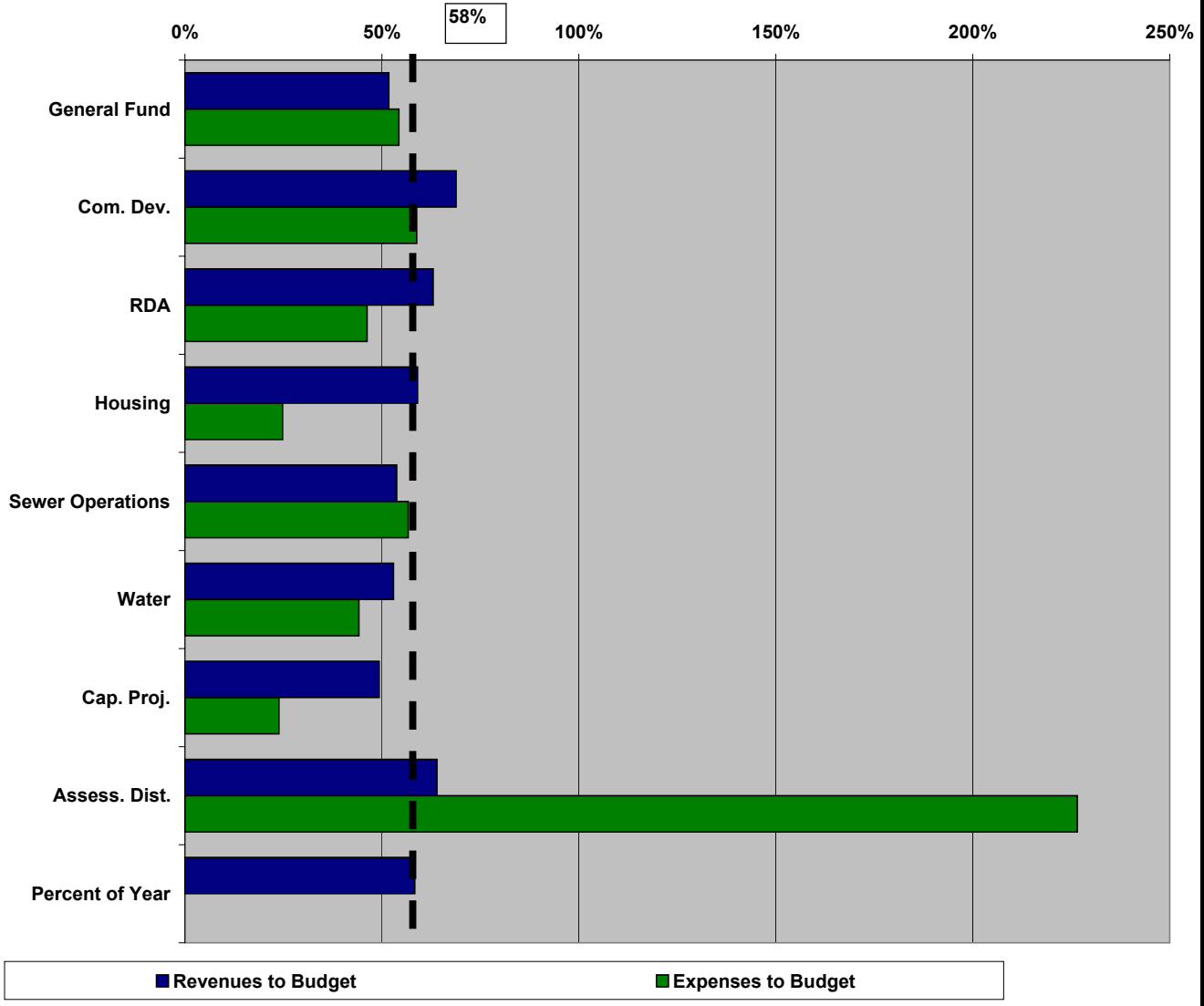
CITY OF MORGAN HILL

Prepared by:
FINANCE DEPARTMENT



Morgan Hill YTD Revenue & Expense Summary

January 31, 2003 – 58% Year Complete



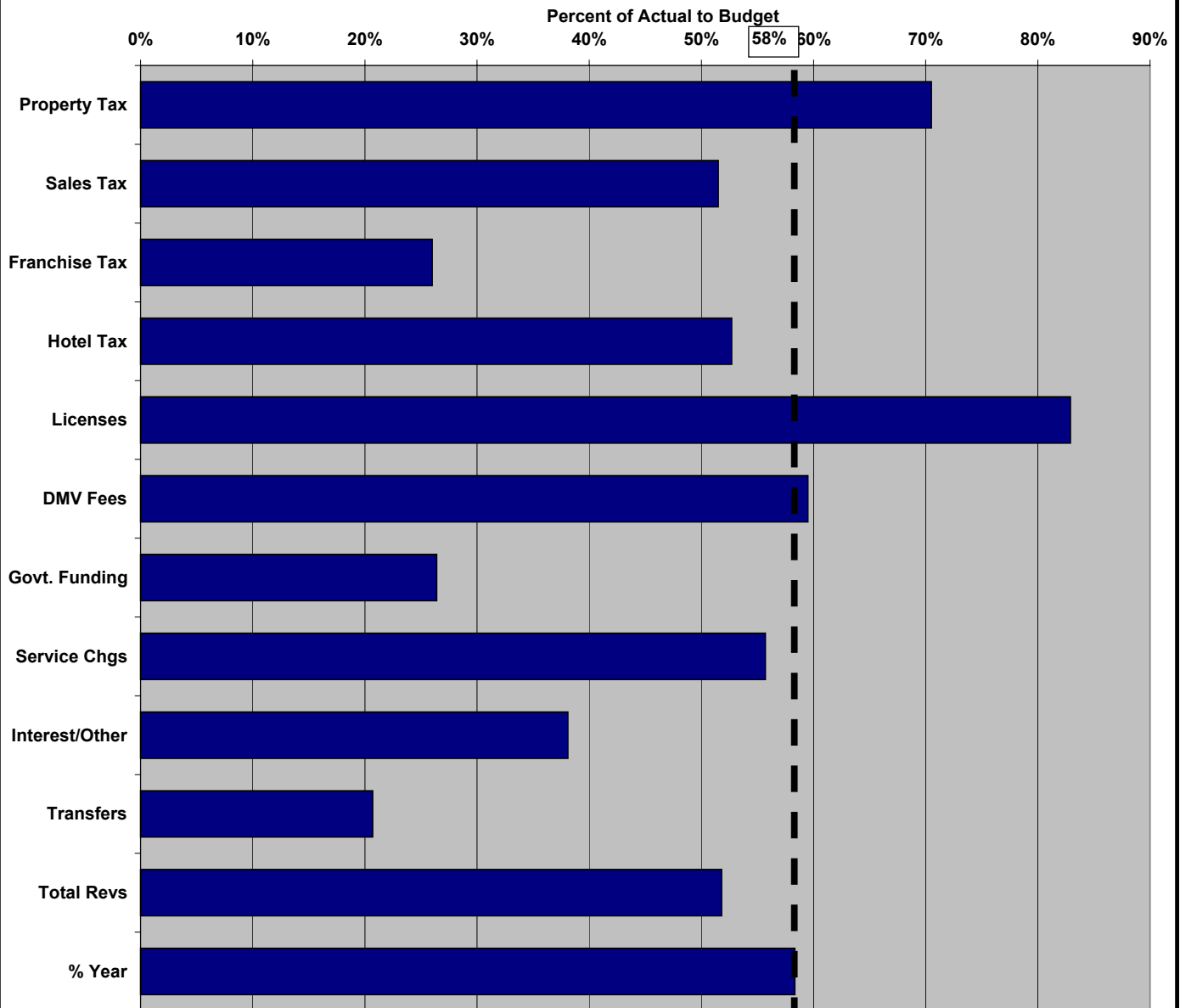
FUND NAME	REVENUES		EXPENSES		1/31/2003 UNRESTRICTED FUND BALANCE
	ACTUAL	% OF BUDGET	ACTUAL plus ENCUMBRANCES	% OF BUDGET	
General Fund	\$8,417,212	52%	\$9,139,168	54%	\$10,510,470
Community Development	1,458,316	69%	2,184,386	59%	1,151,457
RDA	8,088,642	63%	15,008,338	46%	13,798,445
Housing/CDBG	2,226,183	59%	1,740,314	25%	4,458,956
Sewer Operations	3,116,515	54%	3,928,792	57%	4,705,383
Sewer Other	968,525	56%	2,657,730	40%	11,013,629
Water	5,330,681	53%	7,754,334	44%	6,962,046
Other Special Revenues ¹	750,358	69%	629,532	20%	3,535,163
Capital Projects & Streets Funds	2,956,805	49%	4,712,414	24%	21,502,054
Debt Service Funds	140,638	64%	412,018	227%	468,412
Internal Service	3,060,593	75%	3,057,156	74%	4,135,862
Agency	1,245,605	49%	1,798,716	61%	5,305,512
TOTAL FOR ALL FUNDS	\$37,760,073	57%	\$53,022,898	46%	\$87,547,389

¹ Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds



Morgan Hill YTD General Fund Revenues

January 31, 2003 – 58% Year Complete

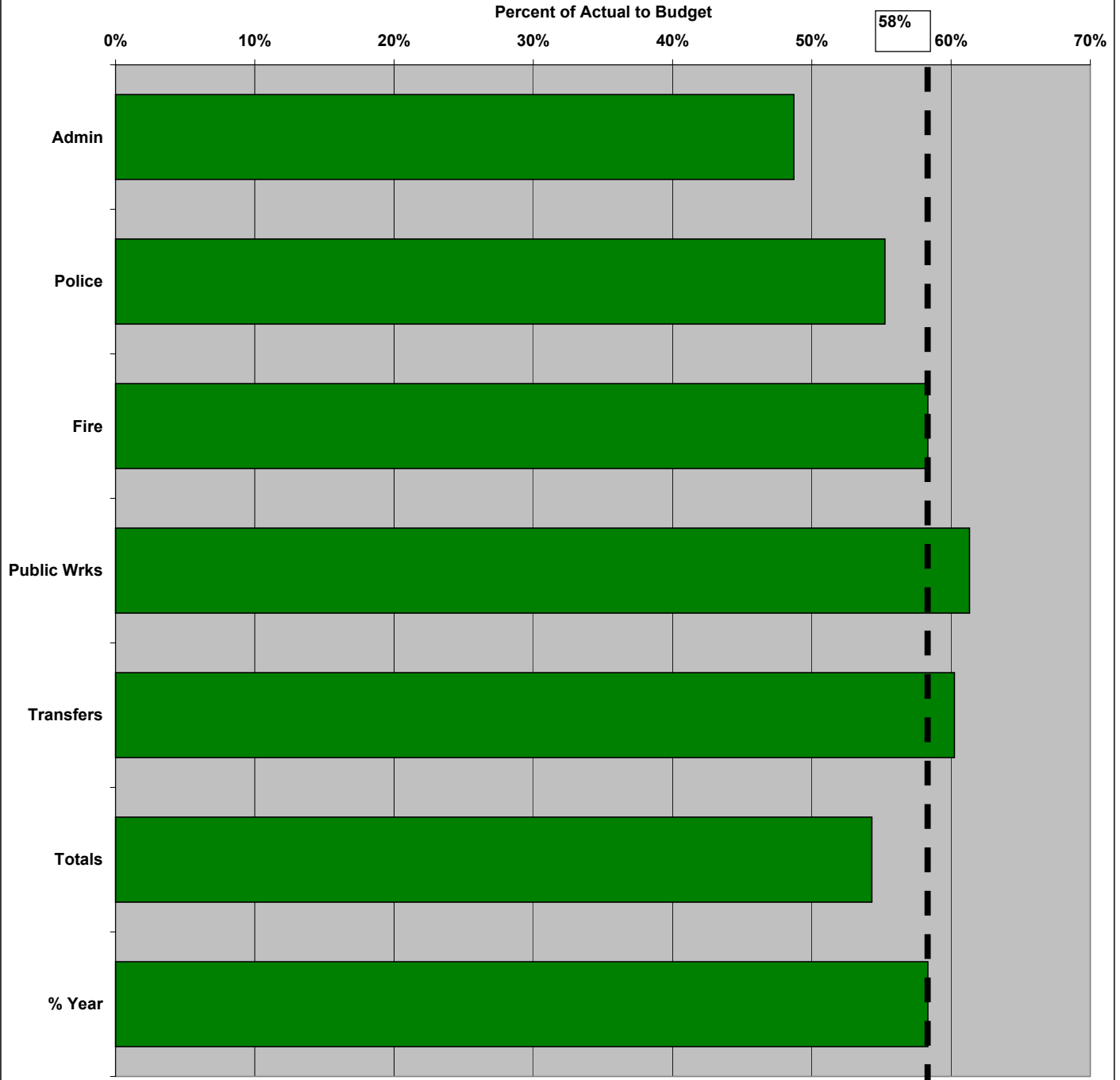


REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY RELATED TAXES	\$2,228,000	\$1,569,718	71%	\$1,372,880	14%
SALES TAXES	\$5,618,400	\$2,893,653	52%	\$3,186,165	-9%
FRANCHISE FEE	\$965,000	\$250,688	26%	\$274,393	-9%
HOTEL TAX	\$892,000	\$469,711	53%	\$464,481	1%
LICENSES/PERMITS	\$209,450	\$173,733	83%	\$167,997	3%
MOTOR VEHICLE IN LIEU	\$1,965,000	\$1,169,751	60%	\$1,074,978	9%
FUNDING - OTHER GOVERNMENTS	\$228,300	\$60,346	26%	\$185,771	-68%
CHARGES CURRENT SERVICES	\$2,312,076	\$1,288,721	56%	\$1,060,704	21%
INTEREST & OTHER REVENUE	\$917,850	\$349,243	38%	\$300,912	16%
TRANSFERS IN	\$925,332	\$191,648	21%	\$68,667	179%
TOTALS	\$16,261,408	\$8,417,212	52%	\$8,156,948	3%



Morgan Hill YTD General Fund Expenditures

January 31, 2003 – 58% Year Complete



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
ADMINISTRATION	5,342,625	2,602,295	49%
POLICE	6,443,305	3,560,223	55%
FIRE	3,623,938	2,113,964	58%
PUBLIC WORKS	879,230	539,186	61%
TRANSFERS OUT	537,000	323,500	60%
TOTALS	\$ 16,826,098	\$ 9,139,168	54%



City of Morgan Hill
Fund Activity Summary - Fiscal Year 2002/03
For the Month of January 2002
58% of Year Completed

Fund No.	Fund	Fund Balance 06-30-02	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments		TOTAL
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted ²	
010	GENERAL FUND	\$11,232,426	\$8,417,212	52%	\$8,964,776	53%	(\$547,564)	\$174,392	\$10,510,470	\$10,549,174	\$4,150	\$10,553,324
TOTAL GENERAL FUND		\$11,232,426	\$8,417,212	52%	\$8,964,776	53%	(\$547,564)	\$174,392	\$10,510,470	\$10,549,174	\$4,150	\$10,553,324
202	STREET MAINTENANCE	\$1,615,397	\$1,075,452	59%	\$1,033,248	31%	\$42,204	\$996,216	\$661,385	\$1,493,511	\$10,794	\$1,504,305
204/205	PUBLIC SAFETY/SUPPL. LAW	\$641,108	\$149,533	93%	\$166,545	53%	(\$17,012)		\$624,096	\$624,097		\$624,097
206	COMMUNITY DEVELOPMENT	\$1,877,527	\$1,458,316	69%	\$1,775,633	48%	(\$317,317)	\$408,753	\$1,151,457	\$1,631,314		\$1,631,314
207	GENERAL PLAN UPDATE	\$110,827	\$68,973	61%	\$7,302	-	\$61,671	\$11,793	\$160,705	\$172,660		\$172,660
210	COMMUNITY CENTER	\$754,628	\$113,727	96%			\$113,727		\$868,355	\$868,356		
215 / 216	CDBG	\$566,540	\$15,279	7%	\$3,493	2%	\$11,786	\$394,396	\$183,930	\$150,345		\$150,345
220	MUSEUM RENTAL	\$3,807	\$54	25%	\$1,585	52%	(\$1,531)		\$2,276	\$2,276		\$2,276
225	ASSET SEIZURE	\$56,567	\$862	42%	\$20,000	59%	(\$19,138)		\$37,429	\$37,429		\$37,429
226	OES/FEMA			n/a								
229	LIGHTING AND LANDSCAPE	\$64,203	\$68,325	64%	\$77,607	56%	(\$9,282)	\$28,027	\$26,894	\$55,217		\$55,217
232	ENVIRONMENT PROGRAMS	\$465,250	\$275,667	72%	\$176,573	46%	\$99,094	\$59,744	\$504,600	\$566,659		\$566,659
234	MOBILE HOME PK RENT STAB.	\$53,314	\$6,665	266%	\$23,258	33%	(\$16,593)		\$36,721	\$36,721		\$36,721
235	SENIOR HOUSING	\$236,123	\$9,362	11%			\$9,362		\$245,485	\$245,485		\$245,485
236	HOUSING IN LIEU	\$1,028,510	\$16,862	45%	8,365	33%	\$8,497	12,135	\$1,024,872	\$1,037,006		\$1,037,006
240	EMPLOYEE ASSISTANCE		\$40,328	50%	36,598	1%	\$3,730		\$3,730	\$3,729		\$3,729
TOTAL SPECIAL REVENUE FUNDS		\$7,473,801	\$3,299,405	63%	\$3,330,207	33%	(\$30,802)	\$1,911,064	\$5,531,935	\$6,924,805	\$10,794	\$6,935,599
301	PARK DEV. IMPACT FUND	\$2,871,149	\$279,637	25%	\$97,617	3%	\$182,020	\$46,304	\$3,006,865		\$3,053,169	\$3,053,169
302	PARK MAINTENANCE	\$2,692,750	\$269,683	174%	\$71,287	42%	\$198,396		\$2,891,146	\$2,891,145		\$2,891,145
303	LOCAL DRAINAGE	\$2,534,182	\$253,120	80%	\$5,049	0%	\$248,071		\$2,782,253		\$2,782,253	\$2,782,253
304	LOCAL DRAINAGE/NON-AB1600	\$3,067,721	\$200,727	143%	\$50,134	13%	\$150,593	\$28,910	\$3,189,404	\$3,078,313		\$3,078,313
305	OFF-STREET PARKING	\$3,886	\$64	42%			\$64		\$3,950	\$3,950		\$3,950
306	OPEN SPACE	\$244,803	\$4,017	n/a			\$4,017	\$22,559	\$226,261	\$248,820		\$248,820
309	TRAFFIC IMPACT FUND	\$2,870,728	\$299,743	28%	\$450,683	30%	(\$150,940)	\$622,849	\$2,096,939		\$2,708,324	\$2,708,324
311	POLICE IMPACT FUND	\$1,168,761	\$55,771	86%	\$51,889	5%	\$3,882	\$22,559	\$1,150,084		\$1,172,643	\$1,172,643
313	FIRE IMPACT FUND	\$2,515,636	\$140,408	84%	\$151,489	10608%	(\$11,081)		\$2,504,555		\$2,504,555	\$2,504,555
317	REDEVELOPMENT AGENCY	\$22,668,149	\$8,088,642	63%	\$13,249,330	41%	(\$5,160,688)	\$3,709,017	\$13,798,445	\$15,209,384		\$15,209,384
327 / 328	HOUSING	\$20,823,005	\$2,210,904	62%	\$1,619,758	24%	\$591,146	17,139,125	\$4,275,026	\$4,361,297		\$4,361,297
340	MORGAN HILL BUS.RANCH I	\$46,679	\$765	42%			\$765		\$47,444	\$47,444		\$47,444
342	MORGAN HILL BUS.RANCH II	\$52,423	\$860	42%			\$860		\$53,283	\$53,283		\$53,283
346	PUBLIC FACILITIES NON-AB1600	\$1,033,867	\$242,853	95%			\$242,853		\$1,276,720	\$1,089,220		\$1,089,220
347	PUBLIC FACILITIES IMPACT FUND	\$1,058,347	\$55,595	37%	\$232,069	20%	(\$176,474)	\$851,098	\$30,775		\$845,203	\$845,203
348	LIBRARY IMPACT FUND	\$368,112	\$24,426	67%	\$777	374%	\$23,649		\$391,761	\$391,760		\$391,760
350	UNDERGROUNDING	\$1,135,781	\$53,684	8%	\$236	0%	\$53,448		\$1,189,229	\$1,189,231		\$1,189,231
TOTAL CAPITAL PROJECT FUNDS		\$65,155,979	\$12,180,899	59%	\$15,980,318	32%	(\$3,799,419)	\$22,442,421	\$38,914,140	\$28,172,087	\$13,457,907	\$41,629,994
527	HIDDEN CREEK			n/a								
533	DUNNE/CONDIT			n/a								
536	ENCINO HILLS	\$65,771	\$1,073	25%	\$500		\$573		\$66,344	\$66,344		\$66,344
539	MORGAN HILL BUS. PARK	\$11,486	\$183	2%	\$562		(\$379)		\$11,107	\$11,106		\$11,105
542	SUTTER BUSINESS PARK	\$24,079	\$395	6%			\$395		\$24,474	\$24,474		\$24,474
545	COCHRANE BUSINESS PARK	\$606,826	\$122,068	77%	\$378,449	272%	(\$256,381)		\$350,445	\$169,495	\$180,950	\$350,445
551	JOLEEN WAY	\$31,630	\$16,919	39%	\$32,507	76%	(\$15,588)		\$16,042	(\$1,207)	\$17,250	\$16,043
TOTAL DEBT SERVICE FUNDS		\$739,792	\$140,638	64%	\$412,018	227%	(\$271,380)		\$468,412	\$270,212	\$198,200	\$468,411



City of Morgan Hill
Fund Activity Summary - Fiscal Year 2002/03
For the Month of January 2002
58% of Year Completed

Fund No.	Fund	Fund Balance 06-30-02	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments		TOTAL
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted ²	
640	SEWER OPERATIONS	\$17,312,471	\$3,116,515	54%	\$3,866,116	56%	(\$749,601)	\$11,857,487	\$4,705,383	\$4,503,639	\$1,895,521	\$6,399,160
641	SEWER IMPACT FUND	\$7,244,335	\$389,330	30%	\$1,533,321	34%	(\$1,143,991)	1,693,053	\$4,407,291		\$4,630,092	\$4,630,092
642	SEWER RATE STABILIZATION	\$3,469,485	\$270,921	220%	\$1,278	58%	\$269,643		\$3,739,128	\$3,739,128		\$3,739,128
643	SEWER-CAPITAL PROJECTS	\$9,417,751	\$308,274	51%	\$815,901	26%	(\$507,627)	6,042,914	\$2,867,210	\$3,150,472		\$3,150,472
650	WATER OPERATIONS	\$23,155,862	\$4,324,349	67%	\$4,233,813	23%	\$90,536	\$20,138,578	\$3,107,820	\$3,307,824	\$390,658	\$3,698,482
651	WATER IMPACT FUND	\$2,757,348	\$327,541	14%	\$769,890	25%	(\$442,349)	2,399,990	(\$84,992)		\$344,692	\$344,692
652	WATER RATE STABILIZATION	\$838,989	\$13,754	42%	\$297	58%	\$13,457		\$852,446	\$852,446		\$852,446
653	WATER -CAPITAL PROJECT	\$7,869,151	\$665,037	55%	\$1,116,553	24%	(\$451,516)	4,330,863	\$3,086,772	\$3,743,260		\$3,743,260
TOTAL ENTERPRISE FUNDS		\$72,065,392	\$9,415,721	53%	\$12,337,169	38%	(\$2,921,448)	\$46,462,885	\$22,681,058	\$19,296,769	\$7,260,963	\$26,557,732
730	DATA PROCESSING	\$429,425	\$222,360	58%	\$260,980	40%	(\$38,620)	148,395	\$242,410	\$344,725		\$344,725
740	BUILDING MAINTENANCE	\$155,445	\$488,362	58%	\$273,661	41%	\$214,701	31,345	\$338,801	\$382,346		\$382,346
745	CIP ADMINISTRATION	\$83,108	\$720,808	55%	\$720,808	52%		160,752	(\$77,644)	\$113,066		\$113,066
760	UNEMPLOYMENT INS.	\$77,693		n/a	\$18,402	74%	(\$18,402)		\$59,291	\$59,291		\$59,291
770	WORKER'S COMP.	\$42,756	\$257,526	64%	\$392,208	73%	(\$134,682)	\$41,325	(\$133,251)	\$581,235	\$30,000	\$611,235
790	EQUIPMENT REPLACEMENT	\$3,279,710	\$328,318	64%	\$18,356	10%	\$309,962	883,341	\$2,706,331	\$2,706,331		\$2,706,331
793	CORPORATION YARD	\$412,656	\$840,936	361%	\$664,789	197%	\$176,147	277,253	\$311,550	\$273,398		\$273,398
795	GEN'L LIABILITY INS.	\$833,756	\$202,283	52%	\$347,665	105%	(\$145,382)		\$688,374	\$1,036,746		\$1,036,746
TOTAL INTERNAL SERVICE FUNDS		\$5,314,549	\$3,060,593	75%	\$2,696,869	66%	\$363,724		\$4,135,862	\$5,497,138	\$30,000	\$5,527,138
820	SPECIAL DEPOSITS									\$789,750		\$789,750
841	M.H. BUS.RANCH A.D.	\$1,620,366	\$257,710	190%	\$510,042	70%	(\$252,332)		\$1,368,034	\$789,709	\$578,325	\$1,368,034
842	M.H. BUS. RANCH II A.D.	\$270,163	\$17,011	17%	\$107,837	120%	(\$90,826)		\$179,337	\$119,826	\$59,513	\$179,340
843	M.H. BUS. RANCH 1998	\$1,685,884	\$460,792	24%	\$582,737	66%	(\$121,945)		\$1,563,939	\$675,231	\$888,709	\$1,563,940
845	MADRONE BP-TAX EXEMPT	\$1,696,402	\$382,906		\$497,441	46%	(\$114,535)		\$1,581,867	\$501,697	\$1,080,171	\$1,581,868
846	MADRONE BP-TAXABLE	\$246,281	\$121,654	49%	\$99,822	54%	\$21,832		\$268,112	\$107,052	\$161,407	\$268,459
848	TENNANT AVE.BUS.PK A.D.	\$319,288	\$5,200	24%	\$837		\$4,363		\$323,651	\$323,651		\$323,651
881	POLICE DONATION TRUST FUND	\$20,240	\$332	24%			\$332		\$20,572		\$20,572	\$20,572
TOTAL AGENCY FUNDS		\$5,858,624	\$1,245,605	49%	\$1,798,716	61%	(\$553,111)		\$5,305,512	\$3,306,916	\$2,788,697	\$6,095,612
SUMMARY BY FUND TYPE												
GENERAL FUND GROUP		\$11,232,426	\$8,417,212	52%	\$8,964,776	53%	(\$547,564)	\$174,392	\$10,510,470	\$10,549,174	\$4,150	\$10,553,324
SPECIAL REVENUE GROUP		\$7,473,801	\$3,299,405	63%	\$3,330,207	33%	(\$30,802)	\$1,911,064	\$5,531,935	\$6,924,805	\$10,794	\$6,935,599
DEBT SERVICE GROUP		\$739,792	\$140,638	64%	\$412,018	227%	(\$271,380)		\$468,412	\$270,212	\$198,200	\$468,412
CAPITAL PROJECTS GROUP		\$65,155,979	\$12,180,899	59%	\$15,980,318	32%	(\$3,799,419)	\$22,442,421	\$38,914,140	\$28,172,087	\$13,457,907	\$41,629,994
ENTERPRISE GROUP		\$72,065,392	\$9,415,721	53%	\$12,337,169	38%	(\$2,921,448)	\$46,462,885	\$22,681,058	\$19,296,769	\$7,260,963	\$26,557,732
INTERNAL SERVICE GROUP		\$5,314,549	\$3,060,593	75%	\$2,696,869	66%	\$363,724		\$4,135,862	\$5,497,138	\$30,000	\$5,527,137
AGENCY GROUP		\$5,858,624	\$1,245,605	49%	\$1,798,716	61%	(\$553,111)		\$5,305,512	\$3,306,916	\$2,788,697	\$6,095,612
TOTAL ALL GROUPS		\$167,840,563	\$37,760,073	57%	\$45,520,073	39%	(\$7,760,000)	\$70,990,762	\$87,547,389	\$74,017,101	\$23,750,711	\$97,767,812
TOTAL CASH AND INVESTMENTS										\$97,767,812		\$97,767,812

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

¹ Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

² Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT
FOR THE MONTH OF JANUARY 2003
FOR THE FISCAL YEAR OF 2002-03

	Invested in Fund	Yield	Book Value End of Month	Investment Category Subtotal at Cost	% of Total	Market Value
Investments						
State Treasurer LAIF - City	All Funds Pooled	2.10%	\$35,268,690		36.07%	\$35,410,808
- RDA	RDA	2.10%	\$18,193,811		18.61%	\$18,267,126
- Corp Yard	Corp Yard	2.10%	\$51,123		0.05%	\$51,329
Federal Issues	All Funds Pooled	4.42%	\$37,500,000		38.36%	\$37,731,520
Money Market	All Funds Pooled	0.97%	\$2,119,328	\$93,132,952	2.17%	\$2,119,328
Bond Reserve Accounts - held by trustees						
BNY - 1992 SCRWA Bonds						
Blackrock Provident Temp Fund	Sewer	1.39%	\$1,895,521		1.94%	\$1,895,521 *
US Bank - 1999 Water C.O.P.						
First American Treasury Obligation	Water	1.29%	\$390,658		0.40%	\$390,658 *
US Bank - MH Ranch 98	MH Ranch					
First American Treasury Obligation	Agency Fund	1.29%	\$888,709		0.91%	\$888,709 *
US Bank - Madrone Bus Park Tax Exempt	Madrone Bus Park					
First American Treasury Obligation	Agency Fund	1.29%	\$1,080,171		1.10%	\$1,080,171 *
US Bank - Madrone Bus Park Taxable	Madrone Bus Park					
First American Treasury Obligation	Agency Fund	1.29%	\$161,407	\$4,416,466	0.17%	\$161,407 *
Checking Accounts						
General Checking	All Funds		\$184,243		0.19%	\$184,243
Dreyfuss Treas Cash Management Account	All Funds				0.00%	\$0
Athens Administrators Workers' Comp	Workers' Comp		\$30,000		0.03%	\$30,000
Petty Cash & Emergency Cash	Various Funds		\$4,150	\$218,393	0.00%	\$4,150
Total Cash and Investments			\$97,767,812	\$97,767,812	100.00%	\$98,214,970

CASH ACTIVITY SUMMARY
FY 02/03

Fund Type	07/01/02 Balance	Change in Cash Balance	01/31/03 Balance	Restricted	Unrestricted
General Fund	\$11,396,207	(\$842,883)	\$10,553,324	\$4,150	\$10,549,174
Community Development	\$2,011,445	(\$380,131)	\$1,631,314	\$0	\$1,631,314
RDA (except Housing)	\$22,128,854	(\$6,919,470)	\$15,209,384	\$0	\$15,209,384
Housing / CDBG	\$4,167,760	\$343,882	\$4,511,642	\$0	\$4,511,642
Water	\$9,541,195	(\$902,315)	\$8,638,880	\$735,350	\$7,903,530
Sewer - Operations	\$7,057,299	(\$658,139)	\$6,399,160	\$1,895,521	\$4,503,639
Sewer Other	\$13,270,287	(\$1,750,595)	\$11,519,692	\$4,630,092	\$6,889,600
Other Special Revenue	\$3,379,537	\$270,098	\$3,649,635	\$0	\$3,649,635
Streets and Capital Projects (except RDA)	\$23,005,915	\$557,703	\$23,563,618	\$13,468,701	\$10,094,917
Assessment Districts	\$736,561	(\$268,149)	\$468,412	\$198,200	\$270,212
Internal Service	\$5,284,536	\$242,602	\$5,527,138	\$30,000	\$5,497,138
Agency Funds	\$6,427,696	(\$332,083)	\$6,095,613	\$2,788,697	\$3,306,916
Total	\$108,407,292	(\$10,639,480)	\$97,767,812	\$23,750,711	\$74,017,101

Note: See Investment Portfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.
 *Market Value as of 12/31/02

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

Prepared by: _____
 Lourdes Reroma
 Accountant I

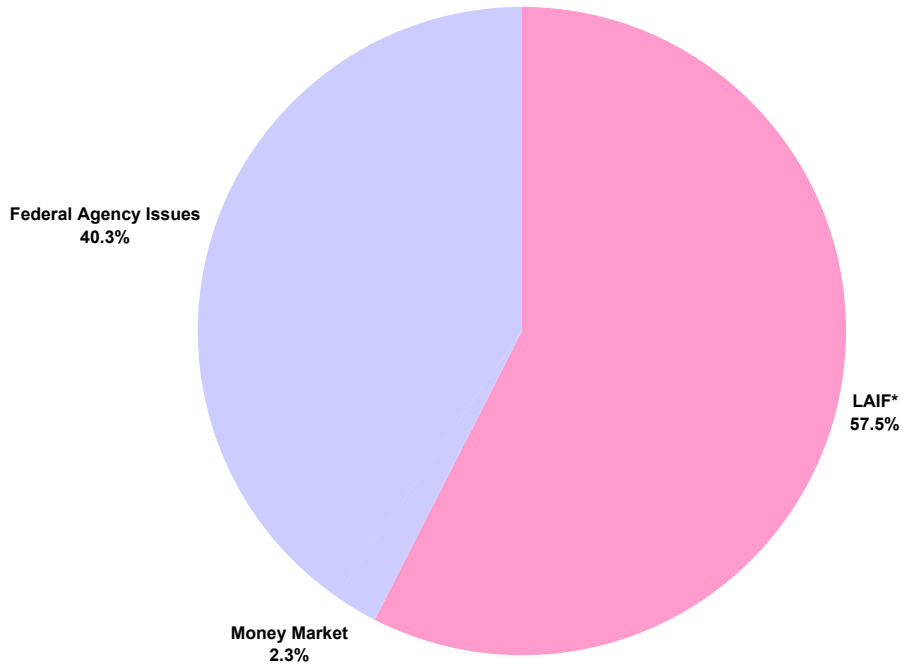
Approved by: _____
 Jack Dilles
 Director of Finance

Verified by: _____
 Tina Reza
 Assistant Director of Finance

 Mike Roorda
 City Treasurer



CITY OF MORGAN HILL INVESTMENT PORTFOLIO DETAIL as of 01/31/03



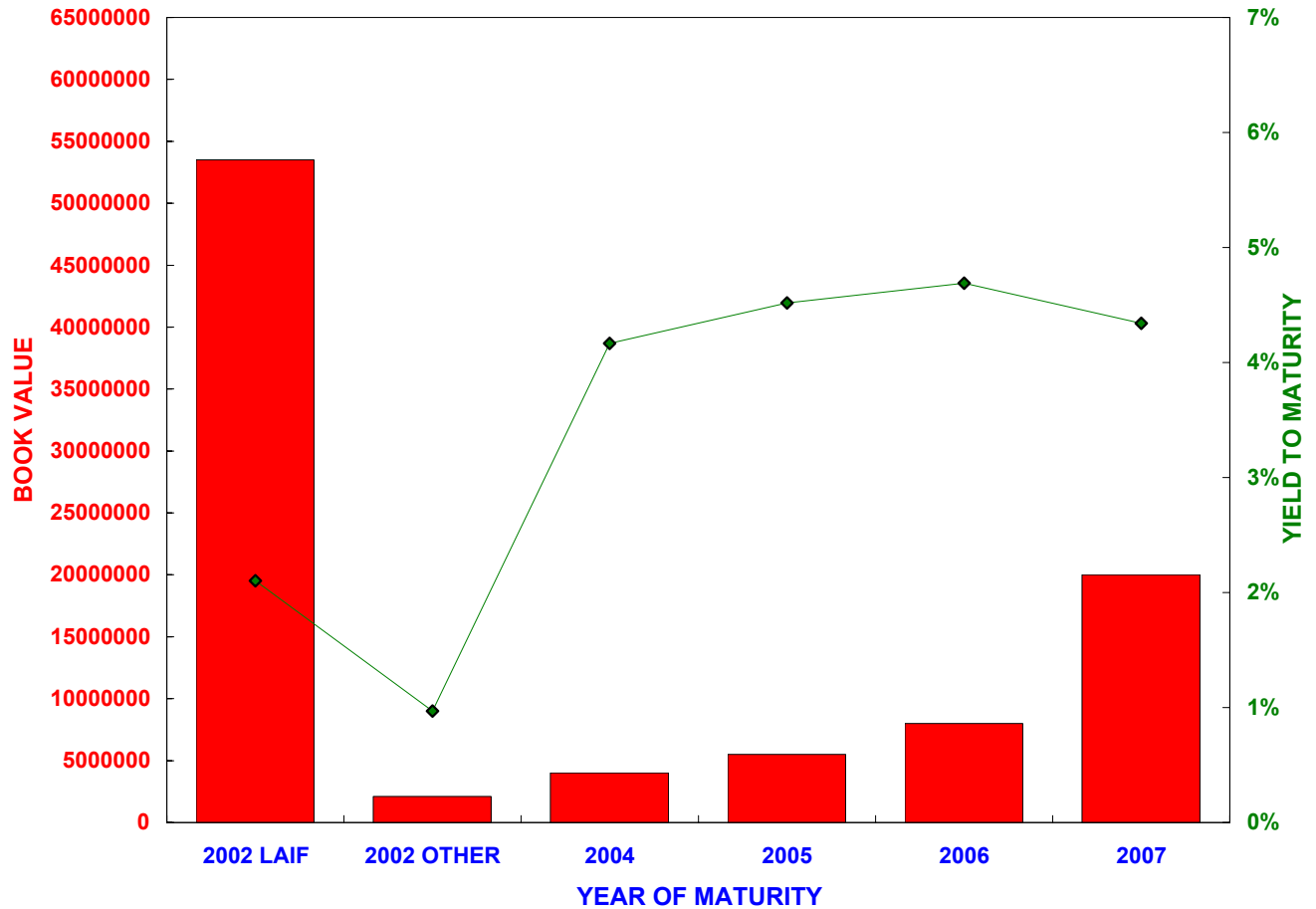
Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
LAIF*									
		\$53,513,624	57.46%	\$53,729,263	2.103%	\$738,969			0.003
Federal Agency Issues									
Fed Home Loan Mgt Corp	03/28/02	\$2,000,000	2.15%	\$2,007,920	4.210%	\$49,117	03/28/03	09/28/04	1.658
Fed Natl Mortgage Assn	05/02/02	\$2,000,000	2.15%	\$2,013,120	4.125%	\$48,538	05/02/03	11/02/04	1.753
Fed Home Loan Bank	04/11/01	\$2,000,000	2.15%	\$2,015,620	5.300%	\$62,448	04/11/03	04/11/05	2.192
Fed Natl Mortgage Assn	08/01/01	\$1,500,000	1.61%	\$1,527,660	5.200%	\$45,680	08/01/05	08/01/05	2.499
Fed Home Loan Mgt Corp	12/19/02	\$2,000,000	2.15%	\$2,003,160	3.224%	\$7,794	03/19/03	12/19/05	2.882
Fed Home Loan Bank	02/06/01	\$2,000,000	2.15%	\$2,000,620	5.840%	\$68,429	02/06/03	02/06/06	3.016
Fed Home Loan Bank	09/10/01	\$2,000,000	2.15%	\$2,006,880	5.250%	\$62,026	03/06/03	03/10/06	3.104
Fed Home Loan Mgt Corp	08/06/02	\$2,000,000	2.15%	\$2,000,500	4.250%	\$41,345	02/06/03	11/06/06	3.764
Fed Home Loan Bank	11/27/02	\$2,000,000	2.15%	\$2,002,500	3.420%	\$12,471	02/27/03	11/27/06	3.822
Fed Home Loan Mgt Corp	03/26/02	\$2,000,000	2.15%	\$2,011,160	5.300%	\$61,833	03/26/03	03/26/07	4.148
Fed Home Loan Bank	07/09/02	\$4,000,000	4.29%	\$4,060,000	4.875%	\$109,890	07/09/03	07/09/07	4.436
Fed Home Loan Bank	08/20/02	\$2,000,000	2.15%	\$2,029,380	4.250%	\$38,111	08/20/03	08/20/07	4.551
Fed Natl Mortgage Assn	09/27/02	\$2,000,000	2.15%	\$2,029,380	4.000%	\$28,066	09/27/03	09/27/07	4.655
Fed Home Loan Mgt Corp	10/23/02	\$2,000,000	2.15%	\$2,011,500	4.107%	\$22,792	04/23/03	10/23/07	4.726
Fed Home Loan Bank	11/13/02	\$2,000,000	2.15%	\$2,001,260	4.186%	\$18,502	02/13/03	11/13/07	4.784
Fed Home Loan Bank	11/26/02	\$2,000,000	2.15%	\$2,003,120	4.083%	\$15,114	02/26/03	11/26/07	4.819
Fed Home Loan Mgt Corp	12/03/02	\$2,000,000	2.15%	\$2,003,980	3.960%	\$13,055	03/03/03	12/03/07	4.838
Fed Home Loan Bank	12/06/02	\$2,000,000	2.15%	\$2,003,760	3.764%	\$11,788	02/27/03	12/06/07	4.847
Redeemed FY 02/03						\$343,619			
Sub Total/Average		\$37,500,000	40.27%	\$37,731,520	4.422%	\$1,060,618			3.751
Money Market									
		\$2,119,328	2.28%	\$2,119,328	0.970%	\$11,955			0.003
TOTAL/AVERAGE		\$93,132,952	100.00%	\$93,580,110	3.011%	\$1,811,542			1.551

*Per State Treasurer Report dated 01/31/2003, LAIF had invested approximately 12% of its balance in Treasury Bills and Notes, 19% in CDs, 25% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 44% in others.



CITY OF MORGAN HILL

INVESTMENT MATURITIES AS OF JANUARY 31, 2003



YEAR OF MATURITY	BOOK VALUE	MARKET VALUE	AVERAGE RATE	% OF TOTAL
2002 LAIF	\$53,513,625	\$53,729,263	2.103%	57.46%
2002 OTHER	\$2,119,328	\$2,119,328	0.970%	2.28%
2004	\$4,000,000	\$4,021,040	4.168%	4.29%
2005	\$5,500,000	\$5,546,440	4.518%	5.91%
2006	\$8,000,000	\$8,010,500	4.690%	8.59%
2007	\$20,000,000	\$20,153,540	4.340%	21.47%
TOTAL	\$93,132,952	\$93,580,110	3.011%	100.00%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2002/03
For the Month of January 2003
58% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% OF BUDGET
010 GENERAL FUND							
<u>TAXES</u>							
Property Taxes - Secured/Unsecured/Prior	1,883,000	1,883,000	1,393,681	74%	1,184,677	209,004	18%
Supplemental Roll	125,000	125,000	45,850	37%	86,736	(40,886)	-47%
Sales Tax	5,330,000	5,330,000	2,759,001	52%	3,041,721	(282,720)	-9%
Public Safety Sales Tax	288,400	288,400	134,652	47%	144,444	(9,792)	-7%
Transient Occupancy Taxes	892,000	892,000	469,711	53%	464,481	5,230	1%
Franchise (Refuse ,Cable ,PG&E)	965,000	965,000	250,688	26%	274,393	(23,705)	-9%
Property Transfer Tax	220,000	220,000	130,187	59%	101,467	28,720	28%
TOTAL TAXES	9,703,400	9,703,400	5,183,770	53%	5,297,919	(114,149)	-2%
<u>LICENSES/PERMITS</u>							
Business License	164,000	164,000	142,663	87%	150,399	(7,736)	-5%
Other Permits	45,450	45,450	31,070	68%	17,598	13,472	77%
TOTAL LICENSES/PERMITS	209,450	209,450	173,733	83%	167,997	5,736	3%
<u>FINES AND PENALTIES</u>							
Parking Enforcement	15,000	15,000	5,975	40%	6,510	(535)	-8%
City Code Enforcement	82,000	82,000	30,705	37%	51,282	(20,577)	-40%
Business tax late fee/other fines	-	2,500	1,693	n/a	2,246	(553)	-25%
TOTAL FINES AND PENALTIES	97,000	99,500	38,373	39%	60,038	(21,665)	-36%
<u>OTHER AGENCIES</u>							
Motor Vehicle in-Lieu	1,965,000	1,965,000	1,169,751	60%	1,074,978	94,773	9%
Other Revenue - Other Agencies	228,300	228,300	60,346	26%	185,771	(125,425)	-68%
TOTAL OTHER AGENCIES	2,193,300	2,193,300	1,230,097	56%	1,260,749	(30,652)	-2%
<u>CHARGES CURRENT SERVICES</u>							
False Alarm Charge	24,000	24,000	20,619	86%		20,619	n/a
Business License Application Review	18,000	18,000	13,551	75%	13,662	(111)	-1%
Recreation Classes	231,741	231,741	48,782	21%	15,919	32,863	206%
General Administration Overhead	1,855,937	1,855,937	1,082,628	58%			
Other Charges Current Services	184,898	182,398	123,141	68%	1,031,123	(907,982)	-88%
TOTAL CURRENT SERVICES	2,314,576	2,312,076	1,288,721	56%	1,060,704	(854,611)	-81%
<u>OTHER REVENUE</u>							
Use of money/property	724,400	739,400	291,931	39%	195,028	96,903	50%
Other revenues	78,950	78,950	18,939	24%	45,846	(26,907)	-59%
TOTAL OTHER REVENUE	803,350	818,350	310,870	38%	240,874	69,996	29%
<u>TRANSFERS IN</u>							
Park Maintenance	100,000	100,000	50,000	50%	50,000	-	n/a
Sewer Enterprise	17,500	17,500	10,208	58%	8,750	1,458	17%
Water Enterprise	17,500	17,500	10,208	58%	8,750	1,458	17%
Public Safety	270,000	270,000	121,232	45%		121,232	n/a
Other Funds	520,332	520,332	-	n/a	1,167	(1,167)	-100%
TOTAL TRANSFERS IN	925,332	925,332	191,648	21%	68,667	122,981	179%
TOTAL GENERAL FUND	16,246,408	16,261,408	8,417,212	52%	8,156,948	260,264	3%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2002/03
For the Month of January 2003
58% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% OF BUDGET
SPECIAL REVENUE FUNDS							
<u>202 STREET MAINTENANCE</u>							
Gas Tax 2105 - 2107.5	658,000	658,000	455,942	69%	441,421	14,521	3%
Measure A & B	-	-	-	n/a	-	-	n/a
Tea 21	-	-	-	n/a	-	-	n/a
Transfers In	977,000	977,000	538,500	55%	432,500	106,000	25%
Project Reimbursement	-	-	70,402	n/a	-	70,402	n/a
Interest / Other Revenue/Other Charges	172,500	172,500	10,608	6%	49,739	(39,131)	-79%
202 STREET MAINTENANCE	1,807,500	1,807,500	1,075,452	59%	923,660	151,792	16%
<u>204/205 PUBLIC SAFETY TRUST</u>							
Interest Income	30,400	30,400	10,894	36%	10,117	777	8%
Police Grant/SLEF	100,000	100,000	100,000	100%	100,000	-	n/a
PD Block Grant	-	-	-	n/a	-	-	n/a
CA Law Enforcement Equip. Grant	-	-	20,765	n/a	40,663	(19,898)	-49%
Federal Police Grant (COPS)	30,000	30,000	17,874	60%	18,395	(521)	-3%
Transfers In	-	-	-	n/a	-	-	n/a
204/205 PUBLIC SAFETY TRUST	160,400	160,400	149,533	93%	169,175	(19,642)	-12%
<u>206 COMMUNITY DEVELOPMENT</u>							
Building Fees	1,134,000	1,134,000	698,585	62%	541,667	156,918	29%
Planning Fees	438,147	438,147	351,510	80%	150,015	201,495	134%
Engineering Fees	480,000	480,000	377,030	79%	296,570	80,460	27%
Other Revenue/Current Charges	66,276	66,276	31,191	47%	36,768	(5,577)	-15%
Transfers	-	-	-	n/a	131,180	(131,180)	-100%
206 COMMUNITY DEVELOPMENT	2,118,423	2,118,423	1,458,316	69%	1,156,200	302,116	26%
207 GENERAL PLAN UPDATE	113,582	113,582	68,973	61%	18,033	50,940	282%
<u>215 and 216 HCD BLOCK GRANT</u>							
HCD allocation	181,306	181,306	-	n/a	-	-	n/a
Interest Income/Other Revenue	50,000	50,000	15,279	31%	3,550	11,729	330%
Transfers	-	-	-	n/a	-	-	n/a
215 and 216 HCD BLOCK GRANT	231,306	231,306	15,279	7%	3,550	11,729	330%
210 COMMUNITY CENTER	119,041	119,041	113,727	96%	210,183	(96,456)	-46%
220 MUSEUM RENTAL	212	212	54	25%	65	(11)	-17%
225 ASSET SEIZURE	2,057	2,057	862	42%	466	396	85%
226 OES/FEMA	-	-	-	n/a	5,093	(5,093)	-100%
229 LIGHTING AND LANDSCAPE	107,429	107,429	68,325	64%	57,638	10,687	19%
232 ENVIRONMENTAL PROGRAMS	380,755	380,755	275,667	72%	181,172	94,495	52%
234 MOBILE HOME PARK RENT STAB.	2,507	2,507	6,665	266%	35,815	(29,150)	-81%
235 SENIOR HOUSING	85,541	85,541	9,362	11%	14,125	(4,763)	-34%
236 HOUSING MITIGATION	37,500	37,500	16,862	45%	-	16,862	n/a
240 EMPLOYEE ASSISTANCE	80,786	80,786	40,328	50%	-	40,328	n/a
TOTAL SPECIAL REVENUE FUNDS	5,247,039	5,247,039	3,299,405	63%	2,775,175	524,230	19%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2002/03
For the Month of January 2003
58% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% OF BUDGET
CAPITAL PROJECTS FUNDS							
301 PARK DEVELOPMENT	1,129,006	1,129,006	279,637	25%	137,259	142,378	104%
302 PARK MAINTENANCE	155,300	155,300	269,683	174%	135,304	134,379	99%
303 LOCAL DRAINAGE	315,223	315,223	253,120	80%	179,298	73,822	41%
304 LOCAL DRAINAGE/NON AB1600	139,949	139,949	200,727	143%	82,073	118,654	145%
305 OFF-STREET PARKING	152	152	64	42%	46	18	39%
306 OPEN SPACE			4,017	n/a		4,017	n/a
309 TRAFFIC MITIGATION	1,080,268	1,080,268	299,743	28%	959,431	(659,688)	-69%
311 POLICE MITIGATION	64,919	64,919	55,771	86%	25,499	30,272	119%
313 FIRE MITIGATION	166,935	166,935	140,408	84%	68,273	72,135	106%
317 RDA CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	12,084,000	12,084,000	7,865,761	65%	6,757,584	1,108,177	16%
Development Agreements	-	-	-	n/a	-	-	n/a
Interest Income, Rents	595,853	595,853	206,331	35%	529,128	(322,797)	-61%
Other Agencies/Current Charges	152,500	152,500	16,550	11%	456,901	(440,351)	-96%
317 RDA CAPITAL PROJECTS	12,832,353	12,832,353	8,088,642	63%	7,743,613	345,029	4%
327/328 RDA L/M HOUSING							
Property Taxes & Supplemental Roll	3,438,000	3,438,000	2,134,615	62%	1,862,257	272,358	15%
Interest Income, Rent	100,000	100,000	75,689	76%	37,220	38,469	103%
Other	590	590	600	102%	11,758	(11,158)	-95%
327/328 RDA L/M HOUSING	3,538,590	3,538,590	2,210,904	62%	1,911,235	299,669	16%
346 PUBLIC FACILITIES NON-AB1600	254,300	254,300	242,853	95%	15,655	227,198	1451%
347 PUBLIC FACILITIES	148,617	148,617	55,595	37%	47,958	7,637	16%
348 LIBRARY	36,299	36,299	24,426	67%	13,643	10,783	79%
350 UNDERGROUNDING	692,745	692,745	53,684	8%	205,814	(152,130)	-74%
340 MORGAN HILL BUS.RANCH CIP I	1,825	1,825	765	42%	604	161	27%
342 MORGAN HILL BUS.RANCH CIP II	2,052	2,052	860	42%	623	237	38%
TOTAL CAPITAL PROJECTS FUNDS	20,558,533	20,558,533	12,180,899	59%	11,526,328	654,571	6%

DEBT SERVICE FUNDS

527 HIDDEN CREEK	-	-	-	n/a	-	-	n/a
533 DUNNE AVE. / CONDIT ROAD	-	-	-	n/a	-	-	n/a
536 ENCINO HILLS	4,209	4,209	1,073	25%	606	467	77%
539 MORGAN HILL BUSINESS PARK	7,707	7,707	183	2%		183	n/a
542 SUTTER BUSINESS PARK	6,215	6,215	395	6%		395	n/a
545 COCHRANE BUSINESS PARK	158,673	158,673	122,068	77%	147,241	(25,173)	-17%
551 JOLEEN WAY	43,068	43,068	16,919	39%	18,220	(1,301)	-7%
TOTAL DEBT SERVICE FUNDS	219,872	219,872	140,638	64%	166,067	(25,429)	-15%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2002/03
For the Month of January 2003
58% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% OF BUDGET
ENTERPRISE FUNDS							
640 SEWER OPERATION							
Sewer Service Fees	5,389,650	5,389,650	2,945,666	55%	3,122,344	(176,678)	-6%
Interest Income	295,119	295,119	73,207	25%	132,396	(59,189)	-45%
Sewer Rate Stabilization	-	-	-	n/a	-	-	n/a
Other Revenue/Current Charges	113,900	113,900	97,642	86%	112,443	(14,801)	-13%
640 SEWER OPERATION	5,798,669	5,798,669	3,116,515	54%	3,367,183	(250,668)	-7%
641 SEWER EXPANSION							
Interest Income	176,887	176,887	95,109	54%	72,360	22,749	31%
Connection Fees	1,125,000	1,125,000	293,759	26%	953,729	(659,970)	-69%
Other	-	-	462	n/a	462	-	n/a
641 SEWER EXPANSION	1,301,887	1,301,887	389,330	30%	1,026,551	(637,221)	-62%
642 SEWER RATE STABILIZATION	123,378	123,378	270,921	220%	36,633	234,288	640%
643 SEWER-CAPITAL PROJECT	608,429	608,429	308,274	51%	44,169	264,105	598%
TOTAL SEWER FUNDS	7,832,363	7,832,363	4,085,040	52%	4,474,536	(389,496)	-9%
650 WATER OPERATION							
Water Sales	5,855,915	5,855,915	3,901,724	67%	3,921,041	(19,317)	0%
Meter Install & Service	48,000	48,000	31,958	67%	26,453	5,505	21%
Transfers-In, and Interest Income	384,673	384,673	168,377	44%	186,451	(18,074)	-10%
Other Revenue/Current Charges	171,770	171,770	222,290	129%	148,140	74,150	50%
650 WATER OPERATION	6,460,358	6,460,358	4,324,349	67%	4,282,085	42,264	1%
651 WATER EXPANSION							
Interest Income/Other Revenue/Transfer	480,602	1,980,602	244,560	12%	15,968	228,592	1432%
Water Connection Fees	387,000	387,000	82,981	21%	77,628	5,353	7%
651 WATER EXPANSION	867,602	2,367,602	327,541	14%	93,596	233,945	250%
652 Water Rate Stabilization	32,844	32,844	13,754	42%	9,817	3,937	40%
653 Water Capital Project	1,207,662	1,207,662	665,037	55%	29,254	635,783	2173%
TOTAL WATER FUNDS	8,568,466	10,068,466	5,330,681	53%	4,414,752	915,929	21%
TOTAL ENTERPRISE FUNDS	16,400,829	17,900,829	9,415,721	53%	8,889,288	526,433	6%
INTERNAL SERVICE FUNDS							
730 INFORMATION SERVICES	381,190	381,190	222,360	58%	201,716	20,644	10%
740 BUILDING MAINTENANCE SERVICES	837,139	837,139	488,362	58%	461,849	26,513	6%
745 CIP ADMINISTRATION	1,308,226	1,308,226	720,808	55%	547,076	173,732	32%
760 UNEMPLOYMENT INSURANCE	970	970	-	n/a	-	-	n/a
770 WORKERS COMPENSATION	399,907	399,907	257,526	64%	125,285	132,241	106%
790 EQUIPMENT REPLACEMENT	511,371	511,371	328,318	64%	266,977	61,341	23%
793 CORPORATION YARD COMMISSION	233,033	233,033	840,936	361%	202,598	638,338	315%
795 GENERAL LIABILITY INSURANCE	387,806	387,806	202,283	52%	229,997	(27,714)	-12%
TOTAL INTERNAL SERVICE FUNDS	4,059,642	4,059,642	3,060,593	75%	2,035,498	1,025,095	50%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2002/03
For the Month of January 2003
58% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% OF BUDGET
AGENCY FUNDS							
841 M.H. BUS.RANCH A.D. I	135,458	135,458	257,710	190%	372,796	(115,086)	-31%
842 M.H. BUS.RANCH A.D. II	99,679	99,679	17,011	17%	45,862	(28,851)	-63%
843 M.H. BUS.RANCH 1998	939,155	939,155	460,792	49%	462,928	(2,136)	0%
845 MADRONE BP-TAX EXEMPT	846,721	846,721	382,906	45%	489,089	(106,183)	-22%
846 MADRONE BP-TAXABLE	184,234	184,234	121,654	66%	80,899	40,755	50%
848 TENNANT AVE.BUS.PK A.D.	332,553	332,553	5,200	2%	260,184	(254,984)	-98%
881 POLICE DONATION TRUST FUND	1,371	1,371	332	24%	305	27	9%
TOTAL AGENCY FUNDS	2,539,171	2,539,171	1,245,605	49%	1,712,063	(466,458)	-27%
TOTAL FOR ALL FUNDS	65,271,494	66,786,494	37,760,073	57%	35,261,367	1,869,319	5%



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2002/03
For the Month of January 2003
58% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
010 GENERAL FUND								
I. GENERAL GOVERNMENT								
COUNCIL AND MISCELLANEOUS GOVT.								
	City Council	18,404	236,417	242,371	109,241	1,241	110,482	46%
	Community Promotions	<u>858</u>	<u>40,604</u>	<u>47,303</u>	<u>25,160</u>	<u>7,557</u>	<u>32,717</u>	<u>69%</u>
	COUNCIL AND MISCELLANEOUS GO	19,262	277,021	289,674	134,401	8,798	143,199	49%
	CITY ATTORNEY	113,639	668,556	681,176	453,689	-	453,689	67%
CITY MANAGER								
	City Manager	30,981	393,276	446,628	242,076	36,000	278,076	62%
	Cable Television	2,706	46,755	61,366	44,461	13,360	57,821	94%
	Communications & Marketing	<u>9,283</u>	<u>116,982</u>	<u>116,982</u>	<u>56,000</u>	<u>14,675</u>	<u>70,675</u>	<u>60%</u>
	CITY MANAGER	42,970	557,013	624,976	342,537	64,035	406,572	65%
RECREATION								
	Recreation	26,648	479,220	486,520	259,741	34,997	294,738	61%
	Community & Cultural Center	29,980	684,196	710,546	142,550	19,799	162,349	23%
	Building Maintenance (CCC)	<u>11,236</u>	<u>205,115</u>	<u>220,115</u>	<u>60,012</u>	<u>-</u>	<u>60,012</u>	<u>27%</u>
	RECREATION	67,864	1,368,531	1,417,181	462,303	54,796	517,099	36%
HUMAN RESOURCES								
	Human Resources	42,573	606,543	607,257	339,639	1,379	341,018	56%
	Volunteer Programs	<u>(9,425)</u>	<u>38,193</u>	<u>38,193</u>	<u>16,889</u>	<u>-</u>	<u>16,889</u>	<u>44%</u>
	HUMAN RESOURCES	33,148	644,736	645,450	356,528	1,379	357,907	55%
CITY CLERK								
	City Clerk	23,049	373,823	404,150	150,524	861	151,385	37%
	Elections	<u>14,789</u>	<u>65,811</u>	<u>65,811</u>	<u>35,436</u>	<u>-</u>	<u>35,436</u>	<u>54%</u>
	CITY CLERK	37,838	439,634	469,961	185,960	861	186,821	40%
	FINANCE	56,769	1,075,090	1,094,207	530,062	6,946	537,008	49%
	MEDICAL SERVICES	-	120,000	120,000	-	-	-	n/a
	TOTAL GENERAL GOVERNMENT	371,490	5,150,581	5,342,625	2,465,480	136,815	2,602,295	49%
II. PUBLIC SAFETY								
POLICE								
	PD Administration	34,490	596,573	596,573	255,422		255,422	43%
	Patrol	272,438	3,131,616	3,138,478	1,817,270	2,156	1,819,426	58%
	Support Services	16,847	867,088	868,069	507,873	5,036	512,909	59%
	Emergency Services/Haz Mat	182	89,549	89,549	38,633	-	38,633	43%
	Special Operations	84,869	792,804	792,804	498,256	-	498,256	63%
	Animal Control	6,573	71,919	71,919	39,182	-	39,182	54%
	Dispatch Services	<u>113,255</u>	<u>821,421</u>	<u>885,913</u>	<u>396,395</u>	<u>-</u>	<u>396,395</u>	<u>45%</u>
	POLICE	528,654	6,370,970	6,443,305	3,553,031	7,192	3,560,223	55%
	FIRE	301,995	3,623,938	3,623,938	2,113,964	-	2,113,964	58%
	TOTAL PUBLIC SAFETY	830,649	9,994,908	10,067,243	5,666,995	7,192	5,674,187	56%
III. COMMUNITY IMPROVEMENT								
	PARK MAINTENANCE	101,006	826,483	879,230	508,801	30,385	539,186	61%
	TOTAL COMMUNITY IMPROVEMENT	101,006	826,483	879,230	508,801	30,385	539,186	61%



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2002/03
For the Month of January 2003
58% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
IV. TRANSFERS								
	Street Maintenance	94,250	377,000	377,000	188,500	-	188,500	50%
	Community Center		100,000	100,000	100,000	-	100,000	100%
	General Plan Update	5,000	60,000	60,000	35,000	-	35,000	58%
TOTAL TRANSFERS		99,250	537,000	537,000	323,500	-	323,500	60%
TOTAL GENERAL FUND		1,402,395	16,508,972	16,826,098	8,964,776	174,392	9,139,168	54%
SPECIAL REVENUE FUNDS								
202 STREET MAINTENANCE								
	Street Maintenance/Traffic	109,581	1,705,475	1,835,629	806,312	189,536	995,848	54%
	Congestion Management	3,461	79,820	79,820	36,202	-	36,202	45%
	Street CIP	23,445	120,097	1,383,774	190,734	806,680	997,414	72%
202 STREET MAINTENANCE		136,487	1,905,392	3,299,223	1,033,248	996,216	2,029,464	62%
204/205	PUBLIC SAFETY/SUPP.LAW	45	315,538	315,538	166,545		166,545	53%
206 COMMUNITY DEVELOPMENT FUND								
	Planning	98,323	1,146,916	1,422,356	680,024	210,979	891,003	63%
	Building	71,987	1,040,589	1,129,357	530,121	80,080	610,201	54%
	PW-Engineering	95,404	1,120,346	1,160,252	565,488	117,694	683,182	59%
206 COMMUNITY DEVELOPMENT FUND		265,714	3,307,851	3,711,965	1,775,633	408,753	2,184,386	59%
207	GENERAL PLAN UPDATE	1,965	162,996	203,959	7,302	11,793	19,095	9%
210	COMMUNITY CENTER	-	520,332	520,332	-	-	-	n/a
215/216	CDBG		231,306	232,806	3,493	33,807	37,300	16%
220	MUSEUM RENTAL	212	3,069	3,069	1,585	-	1,585	52%
225	ASSET SEIZURE		34,060	34,060	20,000	-	20,000	59%
226	OES/FEMA	-	-	-	-	-	-	n/a
229	LIGHTING AND LANDSCAPE	2,654	138,672	139,639	77,607	28,027	105,634	76%
232	ENVIRONMENT PROGRAMS	29,364	318,170	384,242	176,573	59,744	236,317	62%
234	MOBILE HOME PARK	16,352	70,335	70,335	23,258	-	23,258	33%
236	HOUSING MITIGATION FUND	5,500	1,032,119	1,032,119	8,365	12,135	20,500	2%
240	EMPLOYEE ASSISTANCE	(3,094)	40,000	40,000	36,598	-	36,598	91%
TOTAL SPECIAL REVENUE FUNDS		455,199	8,079,840	9,987,287	3,330,207	1,550,475	4,880,682	49%
CAPITAL PROJECT FUNDS								
301	PARK DEVELOPMENT	20,623	2,856,587	3,215,379	97,617	46,304	143,921	4%
302	PARK MAINTENANCE	30,060	165,000	170,422	71,287	-	71,287	42%
303	LOCAL DRAINAGE	2,322	1,866,589	2,094,305	5,049	-	5,049	0%
304	LOCAL DRAIN. NON-AB1600	10,899	161,727	396,685	50,134	28,910	79,044	20%
309	TRAFFIC MITIGATION	109,283	183,541	1,526,406	450,683	622,849	1,073,532	70%
311	POLICE MITIGATION	1,168	1,058,142	1,058,142	51,889	22,559	74,448	7%
313	FIRE MITIGATION	775	1,428	1,428	151,489	-	151,489	10608%
317	RDA BUSINESS ASSISTANCE	1,158,825	19,353,409	32,464,906	13,249,330	1,759,008	15,008,338	46%
327/328	RDA HOUSING	172,750	6,313,976	6,888,925	1,619,758	83,256	1,703,014	25%
346	PUBLIC FAC.NON AB1600	-	-	-	-	-	-	n/a
347	PUBLIC FACILITIES	8,713	56,412	1,155,026	232,069	851,098	1,083,167	94%
348	LIBRARY IMPACT	673	208	208	777	-	777	374%
350	UNDERGROUNDING	34	730,404	730,404	236	-	236	0%
TOTAL CAPITAL PROJECTS FUNDS		1,516,125	32,747,423	49,702,236	15,980,318	3,413,984	19,394,302	39%



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2002/03
For the Month of January 2003
58% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
DEBT SERVICE FUNDS								
527	HIDDEN CREEK A.D.	-	-	-	-	-	-	n/a
536	ENCINO HILLS A.D.	-	-	-	500	-	500	n/a
539	MORGAN HILL BUS. PARK A.D.	-	-	-	562	-	562	n/a
542	SUTTER BUS. PARK A.D.	-	-	-	-	-	-	n/a
545	COCHRANE BUS. PARK A.D.	755	139,309	139,309	378,449	-	378,449	272%
551	JOLEEN WAY A.D.	28,727	42,569	42,569	32,507	-	32,507	76%
TOTAL DEBT SERVICE FUNDS		29,482	181,878	181,878	412,018	-	412,018	227%
ENTERPRISE FUNDS								
SEWER								
640	SEWER OPERATION	408,671	6,875,234	6,929,378	3,866,116	62,676	3,928,792	57%
641	CAPITAL EXPANSION	815,153	4,006,874	4,536,874	1,533,321	23,968	1,557,289	34%
642	SEWER RATE STABILIZATION	183	2,190	2,190	1,278	-	1,278	58%
643	SEWER-CAPITAL PROJECTS	<u>89,147</u>	<u>1,822,627</u>	<u>3,156,637</u>	<u>815,901</u>	<u>283,262</u>	<u>1,099,163</u>	<u>35%</u>
TOTAL SEWER FUND(S)		1,313,154	12,706,925	14,625,079	6,216,616	369,906	6,586,522	45%
WATER								
	Water Operations Division	734,265	6,948,657	8,648,693	3,691,779	258,484	3,950,263	46%
	Meter Reading/Repair	23,950	616,878	688,718	353,441	169,358	522,799	76%
	Utility Billing	28,366	347,753	458,755	186,044	119,766	305,810	67%
	Water Conservation	<u>96</u>	<u>11,320</u>	<u>11,320</u>	<u>2,549</u>	<u>-</u>	<u>2,549</u>	<u>23%</u>
650	WATER OPERATIONS	786,677	7,924,608	9,807,486	4,233,813	547,608	4,781,421	49%
651	CAPITAL EXPANSION	105,347	900,234	3,123,047	769,890	429,684	1,199,574	38%
652	WATER RATE STABILIZATION	42	509	509	297	-	297	58%
653	WATER-CAPITAL PROJECTS	<u>120,662</u>	<u>810,955</u>	<u>4,622,731</u>	<u>1,116,553</u>	<u>656,489</u>	<u>1,773,042</u>	<u>38%</u>
TOTAL WATER FUND(S)		1,012,728	9,636,306	17,553,773	6,120,553	1,633,781	7,754,334	44%
TOTAL ENTERPRISE FUNDS		2,325,882	22,343,231	32,178,852	12,337,169	2,003,687	14,340,856	45%
INTERNAL SERVICE FUNDS								
730	INFORMATION SERVICES	18,600	586,190	653,455	260,980	102,315	363,295	56%
740	BUILDING MAINTENANCE	31,094	588,128	659,440	273,661	28,011	301,672	46%
745	CIP ENGINEERING	129,070	1,308,227	1,374,356	720,808	142,861	863,669	63%
760	UNEMPLOYMENT	-	25,000	25,000	18,402	-	18,402	74%
770	WORKERS COMPENSATION	49,983	482,200	539,025	392,208	41,325	433,533	80%
790	EQUIPMENT REPLACEMENT	4,909	186,472	186,472	18,356	-	18,356	10%
793	CORP YARD COMMISSION	59,811	227,600	337,970	664,789	45,775	710,564	210%
795	GEN. LIABILITY INSURANCE	321,578	330,600	330,600	347,665	-	347,665	105%
TOTAL INTERNAL SERVICE FUNDS		615,045	3,734,417	4,106,318	2,696,869	360,287	3,057,156	74%
AGENCY FUNDS								
841	MORGAN HILL BUS RANCH I	3,133	730,155	730,155	510,042	-	510,042	70%
842	MORGAN HILL BUS RANCH II	1,093	89,995	89,995	107,837	-	107,837	120%
843	MORGAN HILL BUS RANCH 98	883	883,336	883,336	582,737	-	582,737	66%
845	MADRONE BP-TAX EXEMPT	3,017	1,084,479	1,084,479	497,441	-	497,441	46%
846	MADRONE BP-TAXABLE	976	183,851	183,850	99,822	-	99,822	54%
848	TENNANT AVE BUS PARK AD	-	-	-	837	-	837	n/a
881	POLICE DONATION TRUST	-	-	-	-	-	-	n/a
TOTAL AGENCY FUNDS		9,102	2,971,816	2,971,815	1,798,716	-	1,798,716	61%
REPORT TOTAL		6,353,230	86,567,577	115,954,484	45,520,073	7,502,825	53,022,898	46%



City of Morgan Hill
Enterprise Funds Report - Fiscal Year 2002/03
For the Month of January 2003
58% of Year Completed

YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

	Sewer Operations				Water Operations			
	Budget	YTD	% of Budget	Prior YTD	Budget	YTD	% of Budget	Prior YTD
Operations								
Revenues								
Service Charges	\$ 5,389,650	\$ 2,945,666	55%	\$ 3,122,344	\$ 5,855,915	\$ 3,901,724	67%	\$ 3,921,041
Meter Install & Service					48,000	31,958	67%	26,453
Other	113,900	97,642	86%	112,443	155,566	222,290	143%	221,759
Total Operating Revenues	5,503,550	3,043,308	55%	3,234,787	6,059,481	4,155,972	69%	4,169,253
Expenses								
Operations	3,979,047	2,085,668	52%	1,725,621	4,523,153	2,424,817	54%	2,227,189
Meter Reading/Repair					688,718	353,441	51%	234,747
Utility Billing/Water Conservation					470,075	188,593	40%	172,560
Total Operating Expenses	3,979,047	2,085,668	52%	1,725,621	5,681,946	2,966,851	52%	2,634,496
Operating Income (Loss)	1,524,503	957,640		1,509,166	377,535	1,189,121		1,534,757
Nonoperating revenue (expense)								
Interest Income	295,119	73,207	25%	132,396	227,000	66,949	29%	54,318
Interest Expense/Debt Services	(1,403,954)	(667,145)	48%	(711,155)	(337,720)	(164,273)	49%	(169,344)
Principal Expense/Debt Services	(655,000)	(635,000)	97%	(655,000)	(210,320)	(29,147)	14%	(27,176)
Total Nonoperating revenue (expense)	(1,763,835)	(1,228,938)		(1,233,759)	(321,040)	(126,471)		(142,202)
Income before operating xfers	(239,332)	(271,298)		275,407	56,495	1,062,650		1,392,555
Operating transfers in	-	-		-	173,877	101,428	58%	58,514
Operating transfers (out)	(891,377)	(478,303)	54%	(175,272)	(3,577,500)	(1,073,542)	30%	(121,667)
Net Income (Loss)	\$ (1,130,709)	\$ (749,601)		\$ 100,135	\$ (3,347,128)	\$ 90,536		\$ 1,329,402



City of Morgan Hill
Balance Sheets - Water and Sewer Funds
January 31, 2003
58% of Year Complete

	Sewer Operations (640)	Sewer Expansion Stabilization Capital Projects (641-643)	Water Operations (650)	Water Expansion Stabilization Capital Projects (651-653)
ASSETS				
Cash and investments:				
Unrestricted	4,503,639	6,889,599	3,307,824	4,595,706
Restricted ¹	1,895,521	4,630,092	390,658	344,692
Accounts Receivable		6,235		
Utility Receivables	666,453		750,837	
Less Allowance for Doubtful Accounts	(15,230)		(57,625)	
Notes Receivable ²		107,470		
Fixed Assets ³	33,230,110	7,321,152	24,217,670	5,644,680
Other Assets	0			
Total Assets	<u>40,280,493</u>	<u>18,954,548</u>	<u>28,609,364</u>	<u>10,585,078</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	386,803	204,952	66,260	
Deposits for Water Services			43,220	
Deferred Revenue ⁴				
Bonds Payable	25,390,000		6,205,194	
Discount on Bonds and Other Liabilities	(2,099,740)		(1,016,593)	
Accrued Vacation and Comp Time	40,560		64,885	
Total liabilities	<u>23,717,623</u>	<u>204,952</u>	<u>5,362,966</u>	<u>0</u>
FUND EQUITY				
Contributed Capital	7,155,284		13,742,872	
Retained Earnings				
Reserved for:				
Noncurrent water/sewer assets & debt	9,899,290	7,321,267	19,200,312	5,644,680
Encumbrances	62,676	307,230	547,608	1,086,173
Notes Receivable		107,470		
Restricted Cash	1,895,521		390,658	
Total Reserved Retained Earnings	11,857,487	7,735,967	20,138,578	6,730,853
Unreserved Retained Earnings	4,705,383	11,013,629	3,107,820	3,854,225
Total Fund Equity	<u>16,562,870</u>	<u>18,749,596</u>	<u>23,246,398</u>	<u>10,585,078</u>
Total Liabilities and Fund Equity	<u>40,280,493</u>	<u>18,954,548</u>	<u>28,609,364</u>	<u>10,585,078</u>

¹ Restricted for Bond Reserve requirements and capital expansion.

² Includes Note for Sewer Financing Agreements.

³ Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

⁴ Includes the deferred payment portion of the loans noted above.



City of Morgan Hill
Balance Sheets for Major Funds - Fiscal Year 2002-2003
January 31, 2003
58% of Year Complete

	General Fund (Fund 010)	RDA (Fund 317)	L/M Housing (Fund 327/328)	Sewer (Fund 640)	Water (Fund 650)
ASSETS					
Cash and investments:					
Unrestricted	10,549,174	15,209,384	4,361,298	4,503,639	3,307,824
Restricted ¹	4,150			1,895,521	390,658
Accounts Receivable	913,737	364,361	9,465		
Utility Receivables (Sewer and Water)				666,453	750,837
Less Allowance for Doubtful Accounts				(15,230)	(57,625)
Loans and Notes Receivable ²	518,033	2,878,931	22,632,722		
Due from other Funds					
Fixed Assets ³		71,049		33,230,110	24,217,670
Other Assets	2,826				
Total Assets	11,987,920	18,523,725	27,003,485	40,280,493	28,609,364
LIABILITIES					
Accounts Payable and Accrued Liabilities	239,186	11,045	10,318	386,803	66,260
Deposits for Water Services					43,220
Deferred Revenue ⁴	638,108	999,969	5,576,854		
Bonds Payable				25,390,000	6,205,194
Discount on Bonds and Other Liabilities	301,995			(2,099,740)	(1,016,593)
Accrued Vacation and Comp Time	123,769	5,249	2,162	40,560	64,885
Total liabilities	1,303,058	1,016,263	5,589,334	23,717,623	5,362,966
FUND EQUITY					
Contributed Capital				7,155,284	13,742,872
Fund Balance / Retained Earnings					
Reserved for:					
Noncurrent water/sewer assets & debt				9,899,290	19,200,312
Encumbrances	174,392	1,759,008	83,256	62,676	547,608
Restricted Cash				1,895,521	390,658
Impact Fee Capital Improvements					
Advance to Other Funds					
RDA properties held for resale		71,049			
Loans and Notes Receivable		1,878,960	17,055,869		
Ecumenical Housing/Via Ciolino					
Total Reserved Fund Equity	174,392	3,709,017	17,139,125	11,857,487	20,138,578
Designated Fund Equity ⁵	3,382,000				
Unreserved/Undesignated Fund Equity	7,128,470	13,798,445	4,275,026	4,705,383	3,107,820
Total Fund Equity	10,684,862	17,507,462	21,414,151	16,562,870	23,246,398
Total Liabilities and Fund Equity	11,987,920	18,523,725	27,003,485	40,280,493	28,609,364

¹ Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.

² Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.

³ Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.

⁴ Includes the deferred payment portion of the loans noted above.

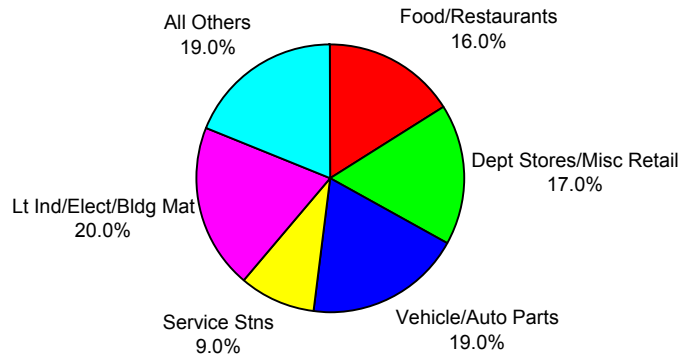
⁵ Designated for economic uncertainty, emergencies, and Fire Master Plan implementation



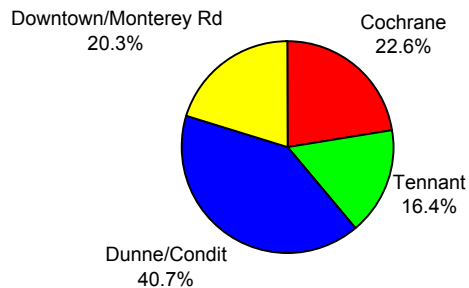
City of Morgan Hill
Sales Tax Comparison - Fiscal Year 2002/03
For the Month of January 2003
58% of Year Complete

Month	Amount Collected for Month for Fiscal Year			Amount Collected YTD for Fiscal Year			Comparison of YTD for fiscal years	
	02/03	01/02	00/01	02/03	01/02	00/01	02/03 to 01/02	02/03 to 00/01
July	\$367,600	\$377,700	\$306,000	\$367,600	\$377,700	\$306,000	(10,100)	61,600
August	\$447,000	\$503,600	\$408,000	\$814,600	\$881,300	\$714,000	(66,700)	100,600
September	\$361,932	\$437,056	\$584,766	\$1,176,532	\$1,318,356	\$1,298,766	(141,824)	(122,234)
October	\$354,915	\$339,000	\$319,200	\$1,531,447	\$1,657,356	\$1,617,966	(125,909)	(86,519)
November	\$474,800	\$452,000	\$425,600	\$2,006,247	\$2,109,356	\$2,043,566	(103,109)	(37,319)
December	\$384,154	\$538,465	\$524,333	\$2,390,401	\$2,647,821	\$2,567,899	(257,420)	(177,498)
January	\$368,600	\$393,900	\$337,700	\$2,759,001	\$3,041,721	\$2,905,599	(282,720)	(146,598)
February		\$466,068	\$450,200		\$3,507,789	\$3,355,799		
March		\$351,548	\$607,260		\$3,859,337	\$3,963,059		
April		\$341,042	\$324,700		\$4,200,379	\$4,287,759		
May		\$461,500	\$432,900		\$4,661,879	\$4,720,659		
June		\$275,116	\$811,473		\$4,936,995	\$5,532,132		
Year To Date Totals				\$2,759,001	\$4,936,995	\$5,532,132		
Sales Tax Budget for Year				\$5,330,000	\$5,300,000	\$4,462,817		
Percent of Budget				52%	93%	124%		
Percent of increase(decrease)							-9%	-5%

**Sales Tax Distribution
by Business Segment
First Quarter 2002**



**Sales Distribution
by Area
First Quarter 2002**





CITY COUNCIL STAFF REPORT

MEETING DATE: FEBRUARY 19, 2003

**TITLE: PERFORMANCE MEASURE UPDATE –
FEBRUARY 2003**

**RECOMMENDED ACTION:
Receive and file**

EXECUTIVE SUMMARY:

The City implemented Performance Measures into the FY 2002/03 Operating and Capital Budget. Performance measures provide a framework for the strategic planning, City workplan, and goal-setting processes, serve as a tool for communicating organizational performance, and provide a structured approach for linking budget decisions to public priorities.

On a quarterly basis, staff is presenting Performance Measure Updates to the City Council. Attachment A is the update for the second quarter of FY 2002/03.

FISCAL IMPACT:

None.

Agenda Item #2

Prepared By:

Chu Thai

Approved By:

Finance Director

Submitted By:

City Manager

12/31/02 Update Performance Measure	Actual Result for 2001-02	Status of measure as of 9/30/02	Status of measure as of 12/31/02 (Cumulative)	Explanatory Comments (as needed)
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[010-1100] CITY COUNCIL				Responsibility: City Clerk's Office
Council/Redevelopment Agency Meeting Minutes produced	51	23	40	
Time required to draft, proof and edit minutes		1.5 hrs for every hour of meeting time	1.5 hrs for every hour of meeting time	
Total Hours		90	128	
Percentage of Minutes completed without errors of fact	100%	100%	100%	
Completing Minutes within 2 weeks	100%	100%	100%	

[010-1220] COMMUNITY PROMOTIONS				Responsibility: City Clerk's Office
Proclamations Produced	50	29	67	
Staff time to coordinate/draft requests for proclamations for Council members, staff and outside requests	1.5 hours	1 hour (average)	1 hour (average)	
Hours to produce all proclamations	75	29 hours	67 hours	
Percentage of Proclamations completed for a particular meeting date, as requested	100%	100% to date	100%	

010-2410] COUNCIL SERVICES & RECORDS MANAGEMENT				Responsibility: City Clerk's Office
Number of requests for public records	661	199	478	
Amount of time to research/copy request for public records	77% in one day 20% in 10 days 3% in 10+ days	84% 15% 1%	87% 11% 2%	

[010-2420] ELECTIONS DIVISION				Responsibility: City Clerk's Office
Number of Statement of Economic Interests filed	95	- 0 -	- 0 -	Annual statements of Economic Interests are based on calendar year and are typically due in April. The City Attorney is reviewing the City's Conflict of Interest Code which designates positions subject in filings. It is anticipated that the Council will amend the Conflict of Interest Code by December 2002. Once the Council takes this action, the number of designated positions can be identified.

12/31/02 Update	Actual Result for 2001-02	Status of measure as of 9/30/02	Status of measure as of 12/31/02 (Cumulative)	Explanatory Comments (as needed)
Performance Measure				
Percentage filed by deadline	93%	N/A	N/A	
Percentage filed late	7%	N/A	N/A	

[010-1500] CITY ATTORNEY				Responsibility: City Attorney's Office
Standard contracts reviewed within ten days	100%	100%	100%	
Amended Municipal Chapter Codes adopted by the City	100%	100%	100%	
Hours of MCLE	10	6.25	7.75	
Closure of more than 50% of defense cases under \$75,000 in legal fees	100%	100%	100%	

[010-2100] CITY MANAGER				Responsibility: City Manager's Office
Percentage of workplan projects, City-wide, that are completed within the planned time frame	29%	65%	52A	4% of projects are on hold
Actual General Fund expenditures as a percentage of the adopted General Fund budget	91.80%	21.20%	46%	
Level of City General Fund reserves as a proportion of adopted General Fund budget	71.10%	69.70%	61%	

[010-5140] CABLE TELEVISION				Responsibility: City Manager's Office
Number of cable complaints received	18	6	7	
Number of cable complaint processes completed	18	6	7	
Average number of days taken to completely process each cable complaint	Unavailable	2	2.14	

[010-5145] COMMUNICATIONS AND MARKETING				Responsibility: City Manager's Office
Pages of City Visions produced	62	16	32	
Dollars (not inclusive of staffing) spent on producing City Visions.	\$53,848	\$13,400	\$27,003.31	
Dollars per page of City Visions produced and distributed.	\$869	\$838	\$843.85	

12/31/02 Update	Actual Result for 2001-02	Status of measure as of 9/30/02	Status of measure as of 12/31/02 (Cumulative)	Explanatory Comments (as needed)
Performance Measure				
[232-5800] SOLID WASTE MANAGEMENT DIVISION				Responsibility: City Manager's Office
Dollars spent communicating recycling information (excluding employee services)	\$59,948	\$2,785	\$40,123.11	
Tons of recycling collected	8243	1406	4,339	
Number of environmental promotions distributed	11	5	11	
Percentage of customers ranking their solid waste management services "good" or "excellent"	93	N/A	N/A	Biennial Measure Only
Percentage of customers who say they have enough information to properly participate in the City's recycling program	92	N/A	N/A	Biennial Measure Only
Percentage of customers participating in the recycling program	62	N/A	72.65	
Solid waste diversion rate	53%	N/A	N/A	State has delayed release of data
Dollars spent communicating recycling information / tons of recycling collected	7.27	1.98	\$9.25	

[010-2110] RECREATION DIVISION			Responsibility: Recreation and Community Services Division	
Overall cost of staff time to develop Recreation Guide, recruit instructors, negotiate contracts	\$15,015	\$9,234.23 (Summer 02)	\$16,159.90 (Summer & Fall 02)	
Overall cost produce and advertise recreation classes	\$1,620.17	\$1,918.19	\$4,556.79	
Number of participants	1466	573	928	
Percent of increase/decrease of customer satisfaction from prior year	N/A	N/A	N/A	
Cost per participant to produce Recreation Guide	\$11.35	\$19.46	\$22.32	

[010-2200] HUMAN RESOURCES OFFICE			Responsibility: Human Resources Department	
Cost of providing 24 hours of enhanced training (beyond legal requirements) to each employee per year (est. \$250 per employee)	\$9,711	\$14,347.87	\$17,492.75	Strict monitoring of training during this quarter due to budget constraints
Number of recruitment processes which include selection criteria such as: flexibility, change management, attitude to work, fit for the organization, etc., in addition to the task requirements of the position	13 out of 26 recruitments	3 out of 3 recruitments	9 out of 9	Most recruitments were to fill CCC positions and/or backfill promotions

12/31/02 Update	Actual Result for 2001-02	Status of measure as of 9/30/02	Status of measure as of 12/31/02 (Cumulative)	Explanatory Comments (as needed)
Performance Measure				
Number of employees recognized for exemplary customer service, new ways of accomplishing work, successful cost reducing ideas, years of service.	25	59	72	New "Peak Performance" awards given at the employee recognition event on November 21, 2002
Number of HR staff hours spent in training, communicating and consulting to the number of HR staff hours spent recruiting to fill vacant positions.	1 to 4	2 to 3	3 to 4	HR staff met individually with every employee during October and November for Open Enrollment
Cost to recruit and hire a new employee	\$3,800	\$1,300	\$1,300	

[010-2210] VOLUNTEER SERVICES PROGRAM				Responsibility: Human Resources Department
Number of external requests for municipal volunteer opportunities to number of actual placements	75 to 15 20%	22 to 10 45%	36 to 13 36%	This does not include the 100+ volunteers involved in the CCC grand opening week
Number of internal requests for volunteers to number of actual placements.	10 to 9 90%	3 to 3 100%	4 to 3 75%	This does not include internal volunteers for the CCC grand opening week

[770-8220] WORKERS COMPENSATION INSURANCE				Responsibility: Human Resources Department
Number of workers' compensation claims involving temporary disability benefits	7	1	3	Counts NEW claims only in cumulative total
Number of lost work days caused by temporary disability	841	208	468	Counts days off on ALL claims
Average length of time to bring an injured employee off temporary disability	120	52	93.6	

[010-2510] FINANCE				Responsibility: Finance Department
Staff hours designated for Accounts Payable	1,800 hours (est.)	500 hours	1,000	
Invoices processed	13,885 (est.)	3,539	7,118	
% of invoices paid by due date	91% (est.)	86%	87%	
Average time to process an invoice	7.71 minutes (est.)	8.48 minutes	8.43 minutes	

[650-5750] UTILITY BILLING – SEWER & WATER				Responsibility: Finance Department
Staff hours per year	4,168	1,125	2,250	
Bills processed per year	132,228	33,072	66,255	

12/31/02 Update	Actual Result for 2001-02	Status of measure as of 9/30/02	Status of measure as of 12/31/02 (Cumulative)	Explanatory Comments (as needed)
Performance Measure				
Percent sent out error free	99.96%	99.97%	96.89%	
Average time to process a bill	1.89 minutes	2.04 minutes	2.04 minutes	

[795-8210] GENERAL LIABILITY INSURANCE				Responsibility: Finance Department
Percent of claims responded to within the statutory time frame of 45 days, either through a rejection of the claim or through a proposed resolution.	78%	100%	100%	

[010-3205] POLICE ADMINISTRATION				Responsibility: Police Department
Hours spent processing citizens' complaints regarding police services.	N/A	13	54 hours	
Percentage of formal citizens' complaints resolved within 30 days of receipt.	N/A	July – 0 Aug – 0 Sept – 0	38%	
Percent of sworn personnel who receive 24 hours of Continued Proficiency Training	61%	12%	30%	
Deficiencies reported in the annual POST audit	03/22/0 13 sworn	09/11/02 2 sworn 2 dispatchers	No Deficiencies	

[010-3210] POLICE PATROL OPERATIONS				Responsibility: Police Department
Number of hours of directed patrol targeting vehicle burglaries.	N/A	3 hours/24 hrs 276 hours	552	
Number of self initiated contacts compared to calls for service.	SI/CFS 16,637/33,536	SI/CFS July to Sept – 3,582/8,571	SI/CFS July thru Dec 2002 7,890/17,385	
Vehicle burglary incident reports.	229	July to Sept – 48	July thru Dec 2002 - 117	
Percent of clearance in Part I and Part II crime rates for Morgan Hill as compared to regional cities the national rate.	Annual Average MH 18%/Natl 21%	Quarter Average MH 22%/Natl 21%	July thru Dec 2002 MH 18% National 21%	
Percent of Priority I calls responded to within 5 minutes of receipt.	Annual Average 100%	Quarter Average 100%	July thru Dec 2002 100%	
Number of fatal or injury collisions to the hazardous citations issued.	N/A	0/281	0/444	

12/31/02 Update	Actual Result for 2001-02	Status of measure as of 9/30/02	Status of measure as of 12/31/02 (Cumulative)	Explanatory Comments (as needed)
Performance Measure				
[010-3225] POLICE SUPPORT SERVICES				Responsibility: Police Department
Hours dedicated to the property/evidence function.	35 hours/week	35 hours/week	35 Hours/week	
Percent of property/evidence released or purged within 30 days of clearance.	Annual Average 80%	Quarter Average 100%	July thru Dec 2002 100%	
Percent of arrests entered into CJIC within 48 business hours of arrest date.	Annual Average 95%	Quarter Average 100%	July thru Dec 2002 100%	
Incident reports stored electronically.	100%	1297	July thru Dec 2002 2,701	

[010-3230] EMERGENCY SERVICES UNIT				Responsibility: Police Department
Hours of preparedness presentations given to the community.	N/A	144 hours	174 hours	
Number of organized CERT teams capable of operating within the City.	N/A	4 teams of 15-25 members	5 teams of 15-25 members	
Emergency drills/exercises completed.	N/A	3	3	
Percent of the disaster plan updated annually.	N/A	2 new additions	2 new additions	

[010-3245] POLICE SPECIAL OPERATIONS				Responsibility: Police Department
Investigations assigned to Special Operations.	N/A	July to Sept – 21	July thru Dec 2002 - 125	
Incidents investigated by division personnel submitted to the District Attorney's Office requesting the issuance of a criminal complaint.	N/A	July to Sept – 21	July thru Dec 2002 - 47	

[010-5450] ANIMAL CONTROL SERVICES UNIT				Responsibility: Police Department
Hours spent to enforce animal license provisions of State law and local ordinance.	8 hours/day	8 hours/day	8 Hours/day	
Animal licenses issued to Morgan Hill residents	2,978	July to Sept – 212	July thru Dec 2002 - 420	
Impounded animals in Morgan Hill returned to their owners within 4 days of impound	N/A	July to Sept – 12	July thru Dec 2002 - 17	
Number of unlicensed dogs impounded or owners cited to the number of licensed dogs	24/2,978	July to Sept – 32/212	July thru Dec 2002 – 39/420	

12/31/02 Update	Actual Result for 2001-02	Status of measure as of 9/30/02	Status of measure as of 12/31/02 (Cumulative)	Explanatory Comments (as needed)
Performance Measure				
[010-8270] POLICE DISPATCH SERVICES				
				Responsibility: Police Department
911 calls received	8,400	1,851	July thru Dec 2002 - 3,509	
Average time to answer 98% of 911 phone calls	11 seconds	5 seconds	11 seconds	
Average time between when a Priority I call is answered and a unit is dispatched.	N/A	1:41	2:47	
Percent of data entry of incident reports completed within 7 days of report conclusion.	98%	100% ¹	100%	

[206-5120] PLANNING				
				Responsibility: Community Development Department
Number and percent of SR Applications processed within 90 days (excluding CEQA projects requiring initial study or EIR)	16 applications; 3 incomplete 92%	9 applications 6 completed within 90 days of appl. = 100%	17 applications: 6 incomplete, 9 completed within 90 days of application, 2 still within 90 days of application = 100%	
Number of applications filed which require Architecture Review Board, Planning Commission or City Council approval	144	51	127	
Percent of RDCS Projects provided 30-day notice of default or expiration of allotment	70%	93%	96.5%	
Number of applications (which require ARB, PC or CC approval) processed per planner	Senior – 49 Assoc – 59 Asst – 18 Staff – 18	Senior – 15 Assoc – 16 Asst – 11 Staff – 9	Senior – 111 Assoc – 26 Asst – 21 Staff – 39	
Percent of DRC comments received on time	80%	60%	55%	

[206-5130] BUILDING DIVISION				
				Responsibility: Community Development Department
Percentage of inspections accomplished within a 24 hour response timeline	88%	97.30%	97%	
Total number of complaints and cases processed	404	62	206	
Number of Code Enforcement cases investigated or mitigated	375	75	179	
Percent of Code Enforcement cases completed and closed	93%	51%	56%	

12/31/02 Update	Actual Result for 2001-02	Status of measure as of 9/30/02	Status of measure as of 12/31/02 (Cumulative)	Explanatory Comments (as needed)
Performance Measure				
[010-5440] PUBLIC WORKS PARK MAINTENANCE				Responsibility: Public Works Department
Customer Work Order Response Time				
Non-Emergency	N/A	2 Days	4 Days	13 Non-Emergency Work Orders Received
Emergency	N/A	0	0	No Emergency Work Orders Received
Maintenance Cost per Acre	\$11,611/acre/year	Result recorded annually	Result recorded annually	

[202-6100] PUBLIC WORKS STREET MAINTENANCE				Responsibility: Public Works Department
Customer Work Order Response Time				
Non-Emergency	N/A	3 Days	4 Days	155 Non-Emergency Work Orders Received
Emergency	N/A	1 Hour	24 Minutes	18 Emergency Work Orders Received
Miles of Roadside Weed Abatement	12 Curb Miles	3 Curb Miles	3 Curb Miles	
Tons of Debris Removed by Street Sweeping	290 Tons	48 Tons	182 Tons	

[206-5410] PUBLIC WORKS ENGINEERING				Responsibility: Public Works Department
Number of Final Maps Recorded	12	14	8	
Number of Plan Checks returned on time	68/79	44/49	76/88	
Number of Planning/Building Division referrals received	76	32	65	
Hours spent inspecting public improvements constructed by private developers	2,790 hours	640 hours	1,160	

[229-8351] PUBLIC WORKS LIGHTING & LANDSCAPE				Responsibility: Public Works Department
Manage all sub-areas to reduce deficits in fund balances	48%	Result recorded annually	Result recorded annually	

[640-5900] PUBLIC WORKS SEWER OPERATIONS				Responsibility: Public Works Department
Customer Work Order Response Time				
Non-Emergency	N/A	2 Days	14 Hours	44 Non-Emergency Work Orders Received
Emergency	N/A	11 Minutes	12 Minutes	14 Emergency Work Orders Received
Sewer Main Restrictions Cleared	20	5	13	

12/31/02 Update Performance Measure	Actual Result for 2001-02	Status of measure as of 9/30/02	Status of measure as of 12/31/02 (Cumulative)	Explanatory Comments (as needed)
[650-5710] PUBLIC WORKS WATER OPERATIONS				Responsibility: Public Works Department
Customer Work Order Response Time Non-Emergency Emergency	N/A N/A	1 Day 14 Minutes	1 Day 18 Minutes	169 Non-Emergency Work Orders Received 18 Emergency Work Orders Received

[650-5720] PUBLIC WORKS METER READING				Responsibility: Public Works Department
Customer Work Order Response Time Non-Emergency Emergency	N/A N/A	1 Day 0	17 Hours 11 Minutes	55 Non-Emergency Work Orders Received 6 Emergency Work Orders
Fire Hydrant Maintenance Performed	65	17	80	
Water Meter Tested - 2" or Greater	64	0	0	Meters are tested end of 3 rd quarter 2003
Annual Cost to Read a Meter	\$0.68	\$0.64	\$0.65	Less time to read meters resulting from Radio Read installation

[650-5760] WATER CONSERVATION				Responsibility: Public Works Department
Cooperative efforts with Santa Clara Valley Water District to reduce water consumption	1	3	3	

[745-8280] PUBLIC WORKS CIP ADMINISTRATION				Responsibility: Public Works Department
Number of Engineering Division hours worked on all CIP Projects	8,000 hours ¹	2,431.5 hours	5,270	
Number of CIP projects awarded	10	3	8	
Percentage of CIP projects completed within Council approved contingency	100%	Result recorded annually	100%	
Hours spent inspecting public improvements constructed as CIP projects	1,490 hours	924 hours	2,402	

[317-7000] BUSINESS ASSISTANCE – ADMINISTRATION				Responsibility: Business Assistance and Housing Services Department
Amount of value of building permits pulled for commercial tenant improvements	\$24mil	\$700,000	\$5.8 M	
Number of business provided Ombudsman services, sent information or met with by a BAHS representative	N/A	800	1,170	
Amount of square footage in building permits pulled for new commercial/industrial office space	100,000	10,000	108,000	

12/31/02 Update	Actual Result for 2001-02	Status of measure as of 9/30/02	Status of measure as of 12/31/02 (Cumulative)	Explanatory Comments (as needed)
Performance Measure				
Amount of sales tax generated from new businesses	N/A	\$24,000	\$52,000	
Number of new businesses generating sales tax revenue	N/A	50	100	

[327-7100] HOUSING		Responsibility: Business Assistance and Housing Services Department		
Number of BMR refinance, Rental and Ownership application	214	121	214	
Number of refinancing request and BMR applications approved	135	131	191	Due to the length of the waiting list, rental applications were accepted but will be approved at a later date when the list is shorter.
Number of BMR Rental occupied and BMR units sold	26	15	20	
Number of BMR applications received and approved per F.T.E. staffing for the program	134/FTE	97/FTE	156/FTE	



CITY COUNCIL STAFF REPORT

MEETING DATE: February 19, 2003

SECOND QUARTER REPORT, 2002-03 WORKPLAN

RECOMMENDED ACTION:

Accept report

Agenda Item # 3

Prepared By:

Asst. to the City Mgr.

Submitted By:

City Manager

EXECUTIVE SUMMARY:

The attached report documents the current status of the FY 2002-03 workplan. Each department has reported their workplan progress as of December 31, 2002. As of that point, 7% of all projects were completed early, 45% were completed or were proceeding as scheduled, 44% were expected to be completed late, and 4% were on hold.

As noted in the first quarter update, project delays have occurred for a number of reasons, including the need for additional public input, time required to coordinate projects with outside agencies, and reduced staffing levels. As the fiscal year progresses, current budget constraints may impact workplan completion dates as well.

Projects on hold at this time include: a technology initiative in the Building Division to integrate the Tidemark software system with the division's integrated voice response system and deploy hand-held units to field inspectors; Planning's update of the cultural resources preservation ordinance; the development of new boat, trailer, and RV storage regulations; and the creation of a permanent skate and BMX park.

The third quarter workplan update will be presented to the Council May 7, 2003.

FISCAL IMPACT:

No budget adjustment required.



CITY COUNCIL STAFF REPORT

MEETING DATE: February 19, 2003

Agenda Item # 4

Prepared By:

BAHS Analyst

Approved By:

BAHS Director

Submitted By:

City Manager

GMP Metal Plating Sewer Fee Financing

RECOMMENDED ACTION:

Direct the City Manager to do everything necessary to modify the GMP Metal Plating, Inc. Sewer Fee Loan documents to reflect results derived from the monitoring process.

EXECUTIVE SUMMARY: On November 15, 2000, the City Council passed a resolution approving a Sewer Fee Financing Loan to Mr. Martin Gutierrez, owner of GMP Metal Plating, Inc., which is located at 740 Jarvis Drive. At the time, the City did not have a data base which listed water usage for this type of industry. Fees of \$148,242 were assessed based on water usage by a similar business in Santa Clara where Mr. Gutierrez had been a co-owner. At that time, Mr. Gutierrez asserted that his new business would be more water efficient than the City's projections, and stated that the fees charged were excessive. The City Council authorized the City Manager to monitor GMP's sewer usage for a two year period and to adjust the fees accordingly.

Within a few months of the Council action, businesses began to be affected by the economic downturn. GMP was especially hard hit when its four primary clients closed their Morgan Hill operations. On September 5, 2001, the City Council allowed GMP a five-month deferral in the payment of principal in both its Sewer Fee Financing Agreement and its Small Business Fee Deferral Agreement, provided interest payments on the Sewer Fee Agreement (at 9.5%) continue. On February 27, 2002, the City Council once again modified GMP's Agreements by suspending all payments until the monitoring was completed. Following the end of the monitoring period in November 2002, GMP completed the payments on its Small Business Fee Deferral loan.

GMP acknowledges that because of the loss of clientele and the economic downturn, the sewer impact fee determined during the monitoring period (\$23,750) was significantly less than it would have been in a "normal" economic climate. Both GMP and Public Works staff were asked to propose a "reasonable" fee for GMP. Public Works now estimates the Sewer Impact Fee for GMP should have been between \$41,900 and \$49,700. GMP estimated a "normal" usage fee at \$24,700 and a "maximum capacity" fee of \$47,500. Mr. Gutierrez has already paid \$47,247. Of that amount, approximately \$6,475 is attributed to interest payments under the terms of the loan. Even with the high interest rate, the principal paid almost falls within the estimate range for this type of use. Given the amount of principal and interest paid, staff recommends that the money already submitted be accepted as the complete fee. Mr. Gutierrez agrees with this recommendation.

FISCAL IMPACT: There is no impact as Mr. Gutierrez has already paid the corrected Sewer Impact Fee.



CITY COUNCIL STAFF REPORT

MEETING DATE: February 19, 2003

RESIDENTIAL DEVELOPMENT CONTROL SYSTEM AMENDED FOURTH QUARTER REPORT FOR 2002

RECOMMENDED ACTION(S):

Accept and File the RDCS Amended Fourth Quarter Report for 2002.

EXECUTIVE SUMMARY:

In accordance with Section 18.78.150 of the Municipal Code, the Community Development Department is required to review, on a quarterly basis, each proposed development which has received a Residential Development Control System (RDCS) allotment. The purpose of this review is to determine whether satisfactory progress is being made with processing of the appropriate plans with the Community Development Department.

All of the residential projects in the Quarterly Report are proceeding according to approved development schedules or have requested extensions of time. During the fourth quarter monitoring period, RDCS/Measure "P" projects have secured 30 additional building permits and completed the construction of 33 homes.

Beginning with this Quarterly Report, staff has included a projection of City population based on dwelling units allocated to date that have not been constructed. The Planning Commission requested this information to ensure that the City does not exceed the population limit of 38,800 established in Measure P through the year 2010. The building allotment awarded to date would increase the City's population to 36,743. The current Measure P competition will award building allocations through Fiscal Year 2005-06. This competition allotment is expected to bring the City close to population limit. Therefore, only a small number of building allocations will be awarded in the next Measure P competition, unless Measure P is amended and extended by the voters this November.

By a vote of 5-1, with one Commissioner absent, the Commission approved the Quarterly Report by minute action and recommended the same by the Council. A copy of the 2002 RDCS Amended Quarterly Report #4, and the minutes of the January 28, 2002 Planning Commission meeting are attached for the Council's reference.

FISCAL IMPACT:

Preparation of this report was accomplished with monies from the Community Development Fund.

Agenda Item # 5

Prepared By:

Planning Technician

Approved By:

**Community
Development Director**

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: February 19, 2003

PURCHASE OF VEHICLES

RECOMMENDED ACTION(S):

1. Authorize vehicle purchases through the State of California General Services Procurement process for the vehicles identified in this report for a total cost of \$111,124.
2. Declare vehicles on attached spreadsheet as surplus and authorize sale at auction.

EXECUTIVE SUMMARY:

The Public Works Department and Police Department are requesting the replacement of four vehicles in the 2002/2003 budget year. The attached spreadsheet identifies the vehicles being replaced and the funding source. The total cost for the vehicles is \$111,124. The amount includes tax, freight and the administrative fee of 1.93% for the use of State Contract #1-03-23-20.

The City has used the State purchasing process in the past to purchase vehicles in accordance with Sec. 3.04.180 of City Code. The price through the State contract is very good based upon the very competitive bidding for the State contract. Using the State purchasing system we are guaranteed delivery of our vehicles within 150 days after receipt of the order.

The Departments are aware of budget constraints and have evaluated the needs in regard to the replacement of vehicles. Staff recommends authorization based upon the need to provide a safe and efficient level of service required in the community.

In addition is a spreadsheet showing the vehicles we are asking council to declare as surplus and authorize sale at auction.

FISCAL IMPACT:

The cost of these vehicles is funded in the Vehicle Replacement Fund and the General Fund as identified in the attached spreadsheet.

Agenda Item # 6

Prepared By:

Management Analyst

Approved By:

Department Director

Submitted By:

City Manager

2002-2003 REPLACEMENT

PUBLIC WORKS DEPARTMENT

VEHICLE	REPLACE WITH:	COMMENTS/STATUS	COST	FUNDING/DIVISION
W96167 1996 Ford Ranger	W98122 1998 Chevrolet 2500	W96167 will be surplused. W96167 has approximately 92,000 miles and is in fair condition. However, it has high mileage and is too small for hauling heavy water valves and other apparatus. W98122 will provide a more reliable and usable vehicle.		
W98122 1998 Chevrolet 2500	NEW 2003 GMC Sierra Pickup Regular Cab, 4x2, 8600 GVW, 8' Bed State Stock #2320-009-0403-1 Item #11, Group V	W98122 truck has approximately 65,000 miles. This vehicle is required for 24-emergency response. Because of the mileage it would be better used as a replacement W96167 and to purchase a new vehicle for emergency response. It is still in good condition and we would be able to get more years out of it.	Total: \$17,566	790-43830-8500 Water

S90140 1990 Ford 4x4 ¾ Ton Truck	W92157 1992 Ford 1 Ton Dump Truck	S90140 will be surplused. S90140 has approximately 41,000 miles. It has been used to haul a portable generator. This truck has had continuous problems with the front end. It is not considered safe and is used only when necessary. W92157 will be modified to allow a generator to be put on it. W92157 has dual wheels giving it more stability to haul the portable generator.		640-5900 Sewer
W92157 1992 Ford 1 Ton Dump Truck	NEW 2003 Ford F450 Truck Cab & Chassis (HD), Regular Cab, 4x2, 14500 GVW, 135"WB (DRW) State Stock #2320-000-0027-0 Item #43, Group II	W92157 will be transferred to the Sewer Department. As a dump truck this truck is undersized for dumping asphalt and base rock. It is sufficient size to replace S90140 and to be modified in order to carry the generator. Purchasing a heavy duty truck will allow safe dumping of asphalt and base rock.	Total: \$31,702 (Includes estimated cost for Dump Body of \$9,400)	790-43830-8500 Water

VEHICLE	REPLACE WITH:	COMMENTS/STATUS	COST	FUNDING/DIVISION
W90144 1990 Ford 1 Ton Utility Truck	NEW 2003 Chevrolet 3500 Truck Cab & Chassis Regular Cab, 4x2, 10000 GVW, 135" WB (DRW) State Stock #2320-009-0460-2 Item #38, Group I	W90144 will be surplused. This truck has 60,731 miles. It is in fair condition but lacks the stability needed to utilize a hoist. The service body will be built to accommodate an existing hoist. Utilizing a hoist on this truck allows for safer loading and unloading of equipment thereby reducing the potential of worker injury.	Total: \$27,756 (Includes estimated cost for Service Body of \$9,500)	790-43830-8500 Water

POLICE DEPARTMENT

VEHICLE	REPLACE WITH:	COMMENTS/STATUS	COST	FUNDING/DIVISION
C87147 1987 GMC Van	NEW 2003 Ford F250 Cab & Chassis Regular Cab, 2WD State Stock #2320-000-0006-3 Item #15, Group V	C87147 will be surplused. This vehicle has 239,000 miles. It has major engine transmission problems. The body is not water tight. It is not safe on hillside areas.	Total: \$34,100 (Includes body and police safety items)	790-43830-8500 (Police) \$10,686 General Fund \$23,414

2002-2003 SURPLUS VEHICLES/EQUIPMENT

PUBLIC WORKS DEPARTMENT

W96167 1996 Ford Ranger

S90140 1990 Ford 4x4 ¾ Ton Truck

W90144 1990 Ford 1 Ton Utility Truck

R97334 1997 Toro Z325 w/48" deck Model

D75310 1975 Miller Welder

POLICE DEPARTMENT

C87147 1987 GMC Van

RECREATION DEPARTMENT

B87130 1987 Mercury Topaz



CITY COUNCIL STAFF REPORT

MEETING DATE: FEBRUARY 19, 2003

FINAL MAP ACCEPTANCE FOR MISSION RANCH PH.VI (TRACT 9424)

RECOMMENDED ACTION(S):

- 1) Approve the final map.

EXECUTIVE SUMMARY: Tract 9424 is a 13 lot subdivision on the southeast corner of the Cochrane Road and Peet Road intersection (see attached diagram). The developer has completed all the conditions specified by the Planning Commission in the approval of the Tentative Map on June 11, 2002.

The developer has furnished the City with the necessary documents to complete the processing of the Final Map and has made provision with a Title Company to provide the City with the required fees prior to recordation of the Final Map.

FISCAL IMPACT: Development review for this project is from development processing fees.

Agenda Item # 7

Prepared By:

Senior Engineer

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: FEBRUARY 19, 2003

FINAL MAP ACCEPTANCE FOR COYOTE ESTATES PHASE VII (TRACT 9461)

RECOMMENDED ACTION(S):

- 1) Approve the final map

EXECUTIVE SUMMARY: Tract 9461 is a 6 lot subdivision located on the north side of Cochrane Road within the Coyote Estates development (see attached diagram). The developer has completed all the conditions specified by the Planning Commission in the approval of the Tentative Map on August 13, 2002.

The developer has furnished the City with the necessary documents to complete the processing of the Final Map and has made provision with a Title Company for the recordation of the Final Map.

FISCAL IMPACT: Development review for this project is from development processing fees.

Agenda Item # 8

Prepared By:

Senior Engineer

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: FEBRUARY 19, 2003

APPROVAL OF SUBDIVISION IMPROVEMENT AGREEMENT WITH T.K. AND PARMINDER SINGH (APN 764-23-054)

RECOMMENDED ACTION(S):

- 1) Approve subdivision agreement and improvement plans
- 2) Authorize the City Manager to sign the Subdivision Improvement Agreement on behalf of the City
- 3) Authorize the recordation of the map and the Subdivision Improvement Agreement following recordation of the Development Improvement Agreement

EXECUTIVE SUMMARY: This is a 4 lot residential subdivision located at the end on the northeast corner of a the Hale Avenue and Llagas Road intersection (see location map Exhibit A). Subdivider has filed a Subdivision Map and supporting documents for the subdivision known as Krishna Park. The Tentative Subdivision Map was approved on October 31, 2000 by the City's Community Development Department. A condition of approval of the Parcel Map was that certain improvements be installed by the Subdivider as shown on the approved Subdivision Improvement Plans for assessor's parcel number 764-23-054.

The developer has furnished the City with the necessary documents to complete the processing of the Parcel Map and has made provision with the City to provide bonds guaranteeing the completion of public improvements prior to recordation of the Parcel Map. Staff recommends that City Council approve the Subdivision Improvement Agreement and authorize the City Manager to sign on behalf of the City.

The developer has furnished the City with the necessary documents to complete the processing of the Parcel Map and has made provision with a Title Company to provide the City with the required fees, insurance and bonds prior to recordation of the Parcel Map.

FISCAL IMPACT: Development review for this project is from development processing fees.

Agenda Item # 9

Prepared By:

Senior Engineer

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: FEBRUARY 19, 2003

AMEND PROFESSIONAL SERVICES AGREEMENT FOR ACQUISITION SERVICES FOR CUTLER & ASSOCIATES FOR TENNANT AVENUE WIDENING

RECOMMENDED ACTION(S): Approve additional scope of work for Cutler & Associates in the amount of \$9,000 and authorize the City Manager, subject to approval as to form by City Attorney, to execute an amendment to the existing professional services agreement for right-of-way acquisition services for the Tennant Avenue Widening Project. The total amended professional services agreement shall not exceed \$26,500.

EXECUTIVE SUMMARY: On January 4, 2002, the City Manager awarded a professional services agreement to Cutler & Associates for \$17,500 for preparation of offer letters, summary statements, lists of compensable items, and to negotiate with five property owners for acquisitions of portions of six properties for the purpose of widening Tennant Avenue.

Cutler & Associates has been negotiating with the property owners for right-of-way acquisitions since August 2002 and have exhausted their original contract amount. The primary reason for taking longer than expected was due to legal complications surrounding dedication of their property. To remedy the situation, revised appraisals will be prepared to reflect the legal changes and new offer letters will be sent to the properties affected. In addition to legal issues, some of the property owners are interested in relocating their rental units. The City does not object to their request and has granted them additional time to research this option. If the property owner chooses to relocate, the responsibility will be with the owner, not the City.

The current status of the acquisitions is as follows; one owner, who owns two parcels, has accepted our offer, and two other owners appear willing to accept with minor adjustments. The remaining two owners are either interested in relocating the rental units or feel their properties are worth much more than the appraised values, therefore, more time is necessary in order to attempt to negotiate a fair settlement with the owners prior to filing for condemnation. The additional work shall commence upon Council's approval.

FISCAL IMPACT: The total cost for the Cutler & Associates contract as amended is \$26,500. Funds are budgeted for fiscal year 2002-2003 for these professional services from Capital Improvement project number 507B99, Tennant Avenue Widening.

Agenda Item # 10

Prepared By:

Associate Engineer

Approved By:

Public Works Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: FEBRUARY 19, 2003

APPROVAL OF RIGHT-OF-WAY PURCHASE AGREEMENTS FOR TENNANT AVENUE WIDENING (APN: 817-04-004 AND 817-04-005)

RECOMMENDED ACTION: Approve purchase and authorize City Manager to execute purchase agreements, subject to approval as to form by City Attorney, with the owner of APN's 817-04-004 and 817-04-005 for a total compensation of \$55,000 plus escrow and closing costs for the acquisition of these two properties.

EXECUTIVE SUMMARY: As Council is aware, staff has been working on acquiring right-of-way for the widening of Tennant Avenue since August 2002. There are a total of seven properties which need to be acquired prior to construction. The City has reached an agreement with one property owner for two property acquisitions at this time (see Exhibit A for summary of the acquisition costs and Exhibit B for property locations).

Cutler & Associates is currently the City's real estate and property acquisition consultant for the Tennant Avenue Widening project. Offer Letters were forwarded to all of the owners in the full amount of the appraised values. Although all the property owners expressed their support for the completion of this project, there are issues which need to be resolved prior to reaching agreements with the remaining five owners.

Three of the remaining five properties have rental units which would require relocation or demolition due to their proximity to the new road width. As expected, the acquisition of right-of-way for these properties is more complex and consequently will take additional time to negotiate fair settlements. Staff is hopeful that the remaining owners will accept the City's offers and Staff can report to Council in the near future for approval of the remaining purchases.

The plans and specifications for this project are currently on hold until all of the acquisitions are finalized. It is anticipated that completion of the plans and specifications will only take a few months. It remains a Staff goal to begin construction by the end of this summer, contingent upon acquiring right-of-way. Based on this time schedule, it is anticipated that the completion of Tennant widening Avenue will be during December, 2003.

FISCAL IMPACT: This project is funded in the FY 01/02 Capital Improvement Program (CIP) Budget, Project #507B99 with total appropriations of \$240,000 for right-of-way acquisition.

Agenda Item #11

Prepared By:

Associate Engineer

Approved By:

Public Works Director

Submitted By:

City Manager

EXHIBIT A				
PROPERTY APN #	PROPERTY OWNER	PURCHASE AMOUNT	ESCROW & TITLE INSURANCE COSTS	TOTAL
817-04-004 & 817-04-005	ANTHONY & PROVIDENCE VILLAFRANCA	\$ 55,000	\$3,000	\$58,000



CITY COUNCIL STAFF REPORT

MEETING DATE: FEBRUARY 19, 2003

COUNCIL RESOLUTION SUPPORTING GRANT FUNDING FOR A SEGMENT OF LLAGAS CREEK TRAIL, BETWEEN LA CROSSE DRIVE AND WATSONVILLE ROAD

RECOMMENDED ACTION(S):

1. Adopt Resolution supporting a segment of Llagas Creek Trail as the City's 2003-2004 Transportation Fund for Clean Air (TFCA 40%) project candidate.
2. Appropriate 10% or \$15,000 from the un-appropriated Street Fund Balance (202) for this project.

EXECUTIVE SUMMARY: On January 16, 2003, the Valley Transportation Authority (VTA) issued a Call-For-Projects for the 2003/2004 Transportation Fund for Clean Air (TFCA) Program Manager (40%) funding cycle. Approximately \$1,400,000 is available for this funding cycle. Only Santa Clara Congestion Management Program Member Agencies are eligible to apply, along with the 15 City's, the County of Santa Clara, and the VTA.

Typical project types eligible for TFCA funds include; ridesharing or trip reduction programs, purchase of low emission vehicles, diesel emissions reduction, traffic management, bicycle facility improvements, and "Smart Growth" projects. If awarded the funds, additional City commitments would include; signing VTA Agreement within 90 days, agreeing to the reimbursement grant program, acknowledging that funds are only available until July 1, 2005, project progress to be monitored by VTA, and performing quarterly monitoring reports. Projects are evaluated on a sliding scale with up to 100 points. The scoring categories are; Cost Effectiveness, Project Effectiveness, Local Matching Funds, Multi-Agency Partnership, Projects of Countywide Significance and Mode Shift.

Staff recommends submitting an application for construction of a segment of Llagas Creek Trail, between La Crosse Drive and Watsonville Road. Llagas Creek Trail is included in the Bicycle Elements Plan of the VTP 2020 and the Countywide Bicycle Plan. The trail improvements would include a paved 2,000 lineal foot, eight foot wide Class I bike path (see Exhibit A), estimated to cost \$130,000. The Santa Clara Valley Water District (SCVWD) currently owns the right-of-way for the proposed trail and has issued Joint Use Agreements with the City in the past. Staff is confident that SCVWD will extend the existing Joint Use Agreement when the funds become available for this portion of the trail.

FISCAL IMPACT: Funds for this project are currently not budgeted. Staff recommends that the City appropriate a 10% total project match (\$15,000) from the un-appropriated Street Fund Balance.

Agenda Item # 12

Prepared By:

Associate Engineer

Approved By:

Public Works Director

Submitted By:

City Manager

RESOLUTION NO. 5642

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL SUPPORTING GRANT FUNDING FOR A SEGMENT OF LLAGAS CREEK TRAIL, BETWEEN LA CROSSE DRIVE AND WATSONVILLE ROAD

WHEREAS, VTA has announced a call for projects for the 2003/2004 TFCA (40%) Program Manager Funds;

WHEREAS, the City has adopted a Bicycle Transportation Plan, titled the Bikeways Master Plan;

WHEREAS, the proposed project is included in the City's Bicycle Transportation Plan;

WHEREAS, Staff recommends project submittal for TFCA funding;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morgan Hill, that it certifies the project as the City's 2003/2004 TFCA (40%) project candidate for possible grant funding;

AND BE IT FURTHER RESOLVED that the City Council appropriates 10% or \$15,000 in matching funds.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 19th Day of February, 2003, by the following vote.

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**

🔒 CERTIFICATION 🔒

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5642, adopted by the City Council at the Regular Meeting on February 19, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: FEBRUARY 19, 2003

ACCEPTANCE OF PUBLIC IMPROVEMENTS FOR VILLA CIOLINO HOUSING PROJECT

RECOMMENDED ACTION(S):

1. Adopt the attached resolution accepting the public improvements for Villa Ciolino Housing Project.
2. Direct the City Clerk to file a Notice of Completion with the County Recorder's office.

EXECUTIVE SUMMARY: This project is located on the south side of Ciolino Avenue between Monterey Road and Del Monte Avenue (see attached location map). The public improvements have been completed in accordance with the requirements of the Improvement Agreement between the City of Morgan Hill and Villa Ciolino Associates dated July 12, 2000 and as specifically set forth in the plans and specifications approved by the City.

FISCAL IMPACT:

Staff time for this project was paid for by development fees.

Agenda Item # 13

Prepared By:

Senior Civil Engineer

Approved By:

Public Works Director

Submitted By:

City Manager

RESOLUTION NO. 5643

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL
ACCEPTING THE PUBLIC IMPROVEMENTS FOR VILLA CIOLINO
HOUSING PROJECT.**

WHEREAS, Villa Ciolino Associates, the developers of the Villa Ciolino housing project, entered into a Improvement Agreement on July 12, 2000: and

WHEREAS, Jim Ashcraft, City Engineer, has certified in writing to the City Council that all of said improvements have been installed according to the City specifications and plans for said subdivision.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL, CALIFORNIA, AS FOLLOWS:

1. The City Council hereby finds and determines that all public improvements required to be constructed pursuant to the above-mentioned Improvement Agreement have been completed in accordance with the plans and specifications for said improvements.
2. This resolution shall constitute an interim acceptance of all said public improvements and the date of its passage shall constitute the starting day for computing the one year maintenance provisions referred to in Paragraph 10 of the Improvement Agreement of July 12, 2000.
3. The City Clerk, following adoption of this resolution, will file with the Recorder of Santa Clara County, California a Notice of Completion of the subdivision public improvements.
4. If requested by the developer or subdivider, the City Clerk hereby is authorized to record a certified copy of this resolution with the Recorder of Santa Clara County, California.

PASSED AND ADOPTED this 19th day of February, 2003.

AYES:
NOES:
ABSTAIN:
ABSENT:

CERTIFICATION

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5643 adopted by the City Council at the Regular (or Special) City Council Meeting of .

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

Record at the request of
and when recorded mail to:

CITY OF MORGAN HILL
CITY CLERK
17555 Peak Avenue
Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION

CITY OF MORGAN HILL

VILLA CIOLINO HOUSING PROJECT

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, signed below, represents the City of Morgan Hill as the owner of the public improvements for the above named development. Said improvements were substantially completed on February 6, 2003, by Villa Ciolino Associates, the developer of record and accepted by the City Council on February 19, 2003. Said improvements consisted of public streets, utilities and appurtenances.

The name of the surety on the contractor's bond for labor and materials on said project is Insurance Company of the West.

Name and address of Owner: City of Morgan Hill
17555 Peak Avenue
Morgan Hill, California

Dated: _____, 20__.

Jim Ashcraft, Director of Public Works

I certify under penalty of perjury that the foregoing is true and correct.

Irma Torrez, City Clerk
City of Morgan Hill, CA
Date: _____



CITY COUNCIL STAFF REPORT

MEETING DATE: FEBRUARY 19, 2003

COUNCIL RESOLUTION CONFIRMING CITY COUNCIL ADOPTION OF 2001 BIKEWAYS MASTER PLAN

RECOMMENDED ACTION(S): Adopt Resolution, thereby confirming City Council adoption of January 2001 Bikeways Master Plan at the July 25, 2001 City Council Meeting.

EXECUTIVE SUMMARY: On January 17, 2001, City Council reviewed and approved the draft Bikeways Master Plan and directed staff to proceed with the Environmental Impact Report (EIR). Direction was given that upon completion and acceptance of the EIR, City Council would adopt the Bikeways Master Plan.

On July 25, 2001, City Council adopted the Master EIR for the General Plan, approved the updated General Plan, and approved zoning map amendments. It was therefore understood that by adopting the EIR and approving the General Plan, the Bikeways Master Plan was therefore also adopted on July 25, 2001. Formal City Council adoption of the Bikeways Master Plan is a requirement for applications of future bicycle grants. By adopting the attached Resolution, City Council hereby confirms approval of the Bikeways Master Plan, dated January, 2001.

FISCAL IMPACT: Clarification only, no impact on budget.

Agenda Item #14

Prepared By:

Associate Engineer

Approved By:

Public Works Director

Submitted By:

City Manager

RESOLUTION NO. 5644

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL
CONFIRMING ADOPTION OF 2001 BIKEWAYS MASTER PLAN**

WHEREAS, the City Council reviewed and approved the draft Bikeways Master Plan;

WHEREAS, a Master Environmental Impact Report was completed and adopted;

WHEREAS, adoption of the Bikeways Master Plan is a general requirement for most bicycle/pedestrian type grants.

THEREFORE, BE IT RESOLVED by the City Council of the City of Morgan Hill, confirming the adoption of the 2001 Bikeways Master Plan;

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 19th day of February, 2003 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CERTIFICATION

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5644 adopted by the City Council at the Regular City Council Meeting on February 19, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: *February 19, 2003*

EMERGENCY AUTHORIZATION FOR WATER MAIN REPLACEMENT ALONG RUSTLING OAK COURT

RECOMMENDED ACTION(S):

1. Adopt the attached Resolution declaring the need for this emergency expenditure.
2. Approve expenditure of \$25,000 from the 2002-03 Public Works - Water Division Operating Budget and \$40,000 from the 2002-03 CIP - Water Replacement Budget to fund an emergency Water Main replacement on Rustling Oak Court.

EXECUTIVE SUMMARY: The existing water main in Rustling Oak Court is an aging transite pipe that has broken twice in the last three years causing damage each time to the adjacent private and public properties. The replacement of this water main is an emergency situation due to the exposure the City faces should the pipe break again.

The breaks in the water main have occurred in a reach approximately 400 ft. long. To alleviate this emergency situation, staff recommends replacing the old transite pipe along this reach with a new 8" ductile iron pipe.

Due to the emergency nature of this repair work, staff obtained three bids from qualified contractors who are available to perform the work immediately. The lowest responsive bidder will be presented a purchase order to complete the work. Staff is requesting a total of \$25,000 to be authorized for expenditure from the water operating budget and an additional \$40,000 from the CIP water replacement budget to fund this emergency repair.

A finding of a public emergency to waive the public bidding process requires a four/fifths affirmative vote of the Council.

FISCAL IMPACT: Sufficient funds exist in the 2002-03 Public Works Water Operations Budget and the 2002-03 CIP Water Replacement budget to fund this emergency work.

Agenda Item # 15

Prepared By:

Deputy Director-PW

Approved by:

Public Works Director

Submitted By:

City Manager

RESOLUTION NO. 5645

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL DECLARING THE NEED FOR AN EMERGENCY EXPENDITURE FOR WATER MAIN REPLACEMENT ON RUSTLING OAK COURT IN ACCORDANCE WITH PUBLIC CONTRACT CODE 20168

WHEREAS, an emergency currently exists for water main replacement located on Rustling Oak Court due to the loss of integrity of said water main; and

WHEREAS, future failure of said water main will result in damage to public and private property; and

WHEREAS, the replacement of said water main at this time will eliminate the immediate threat to public and private property; now

THEREFORE, BE IT RESOLVED by the City Council of the City of Morgan Hill that it does resolve, determine and order the following:

1. Emergency Water Main replacement is needed to eliminate the immediate threat to public and private property on Rustling Oak Court.
2. By a majority vote of those present at the City Council meeting on February 19, 2003, the Council finds, based upon the foregoing reasons, that the immediate preservation of the public peace, health and safety requires said expenditure to be made without competitive bids.
3. The sum of \$65,000 is hereby approved for expenditure for emergency water main replacement on Rustling Oak Court.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 19th Day of February, 2003, by the following vote.

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**

🌹 CERTIFICATION 🌹

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5645, adopted by the City Council at the Regular Meeting on February 19, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: *February 19, 2003*

APPROVAL OF PURCHASE ORDER FOR CONSTRUCTION OF THE PUBLIC WORKS OFFICE EXPANSION & REMODEL PROJECT

RECOMMENDED ACTION(S):

Authorize the City Manager to Execute a Purchase Order in the amount of \$76,400 with Link Construction Co, Inc. for work on the Public Works Office Expansion & Remodel Project.

Agenda Item # 16

Prepared By:

Project Manager

Approved By:

Public Works Director

Submitted By:

City Manager

EXECUTIVE SUMMARY:

In June of 2001, Council authorized staff to execute a design services agreement with RMW Architects to prepare construction documents for the Public Works Office Expansion Project. The design was completed and the project was originally put out to public bid in June of 2002. One bid was received and Council rejected that bid due to the fact that it was substantially higher than the budget would allow. Staff subsequently rebid the project in September 2002 and no bids were received. At their meeting of September 18, 2002 Council acknowledged that no bids were received and directed staff to negotiate with qualified subcontractors to complete the work per Public Contract Code section 20166.

Last month, staff met with Link Construction Co., Inc. and received their attached proposal for \$69,450 for the required demolition, foundation, framing and finish work on the 10'x45' expansion and interior remodel project. Due to the fact that this is essentially a retrofit to an existing building, staff recommends a 10% contingency be added to the above amount for a total purchase order of \$76,400. We are currently in the process of receiving other subcontractor proposals for work such as electrical, plumbing, HVAC, carpet, paint and office systems (partition) reconfiguration. We will be presenting those for Council approval as needed at future meetings. The project budget is as follows:

Construction incl. electrical, plumbing & contingency	\$90,000
HVAC	\$30,000
Carpet	\$24,000
Paint	\$15,000
Office furniture and systems (partition) reconfiguration	\$45,000
Misc. incl. professional services and permitting fees	<u>\$15,000</u>
	\$219,000

Funding for this project is planned from various sources as follows:

Capital Improvement Project #205093 Budget	\$135,000
Public Works Operations Budget	\$ 20,000
SCADA Improvements Budget	\$ 10,000
Building Maintenance Budget (carpet, paint & ½ HVAC)	<u>\$ 54,000</u>
	\$219,000

FISCAL IMPACT: The project is budgeted as shown above and no additional funding is required.



CITY COUNCIL STAFF REPORT

MEETING DATE: February 19, 2003

ADOPT ORDINANCE NO. 1604, NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING SECTION 17.32.160 (Improvement agreement-Preparation-Contents) AND ADDING SECTION 17.32.165 (Improvement agreement-Reimbursement Provisions) OF CHAPTER 17.32 (Improvements and Improvement Agreements) OF TITLE 17 (Subdivisions) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING REIMBURSEMENT AGREEMENTS WITH DEVELOPERS FOR PUBLIC IMPROVEMENTS

RECOMMENDED ACTION(S): Waive the Reading, and Adopt Ordinance No. 1604, New Series, and Declare That Said Title, Which Appears on the Public Agenda, Shall Be Determined to Have Been Read by Title and Further Reading Waived.

EXECUTIVE SUMMARY:

On February 5, 2003, the City Council Introduced Ordinance No. 1604, New Series, by the Following Roll Call Vote: AYES: Carr, Chang, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.

FISCAL IMPACT: No budget adjustment is required.

Agenda Item: #_17_____

Prepared By: _____

Deputy City Clerk _____

Approved By: _____

City Clerk _____

Submitted By: _____

City Manager _____

ORDINANCE NO. 1604, NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING SECTION 17.32.160 (Improvement agreement–Preparation–Contents) AND ADDING SECTION 17.32.165 (Improvement agreement-Reimbursement Provisions) OF CHAPTER 17.32 (Improvements and Improvement Agreements) OF TITLE 17 (Subdivisions) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING REIMBURSEMENT AGREEMENTS WITH DEVELOPERS FOR PUBLIC IMPROVEMENTS

WHEREAS, in recognition of the impact private development has on the public infrastructure, developers are often required, as a condition of development, to pay for public improvements, either in the form of a development impact fee and/or by constructing such improvements; and,

WHEREAS, in the interests of achieving economies of scale, such construction may include installation of public improvements which go beyond the impact of the current development, but construction costs are reimbursed to the developer by the City or by adjacent developers as adjacent parcels develop; and,

WHEREAS, the City's practice is to enter into a reimbursement agreement which specifies what the public improvement is, and what reimbursement the developer may obtain; and,

WHEREAS, the Municipal Code does not currently provide a mechanism for such reimbursement agreements; and,

WHEREAS, the following amendment and addition to the Municipal Code are required to clarify the City's intentions in regards to such reimbursement agreements.

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING, THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAIN AND ENACT AS FOLLOWS:

Section 1. Section 17.32.160 (Improvement agreement–Preparation–Contents) of Chapter 17.32 (Improvements and Improvement Agreements) of Title 17 (Subdivisions) is hereby amended to read as follows:

Section 17.32.160 Improvement agreement--Preparation--Contents.

The agreement shall be prepared and signed by the city engineer and approved as to form by the city attorney. The agreement shall provide for:

L. Reimbursement provisions, if applicable, as further addressed in Section 17.32.165 below

Section 2. Section 17.32.165 (Improvement agreement–Reimbursement Provisions) of Chapter 17.32 (Improvements and Improvement Agreements) of Title 17 (Subdivisions) is hereby added to read as follows:

***Section 17.32.160 Improvement agreement–Reimbursement Provisions** Whenever an applicant is required, as a condition of approval for a development permit, to construct any facility or improvement (or a portion thereof) which facility or improvement is determined by the city to exceed the need directly attributable to and reasonably related to the given development project, a reimbursement provision shall be offered to the applicant. The provision shall govern reimbursements for actual construction costs, and shall be applied with respect to that portion of the improvement or facility which exceeds the need therefor caused by the development.*

Section 3. **Severability.** Should any provision of this ordinance be deemed unconstitutional or unenforceable by a court of competent jurisdiction, such provision shall be severed from the ordinance, and such severance shall not affect the remainder of the ordinance.

Section 4. **Effective Date; Posting.** This ordinance shall take effect thirty (30) days after its second reading. This ordinance shall be posted at City Hall.

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 5th Day of February 2003, and was finally adopted at a regular meeting of said Council on the 19th Day of February 2003, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**

ATTEST:

APPROVED:

Irma Torrez, City Clerk

Dennis Kennedy, Mayor

☪ **CERTIFICATE OF THE CITY CLERK** ☪

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. 1604, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 19th Day of February, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

**CITY OF MORGAN HILL
JOINT SPECIAL CITY COUNCIL AND
SPECIAL REDEVELOPMENT AGENCY MEETING
MINUTES – JANUARY 24, 2003**

CALL TO ORDER

Mayor/Chairperson Kennedy called the meeting to order at 2:05 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Chang, Sellers, Tate and Mayor/Chairperson Kennedy

DECLARATION OF POSTING OF AGENDA

City Clerk/Agenda Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

Mayor/Chairman Kennedy opened the floor to comments for items not appearing on the agenda. No comments were offered.

City Council Action and Redevelopment Agency Action

CLOSED SESSION:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant Exposure/Initiation of Litigation

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 1

The Closed Session was deferred to the conclusion of the workshop.

City Council Action and Redevelopment Agency Action

1. **CONTINUED GOAL SETTING WORKSHOP**

City Manager/Executive Director Tewes presented the staff report.

The City Council/Redevelopment Agency developed tentative goals and projects for 2003 and directed that the City Manager/Executive Director Tewes prepare a written report on the identified goals for its

consideration and adoption at a future meeting.

CLOSED SESSION:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant Exposure/Initiation of Litigation

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 1

The above listed closed session item was deferred to a future meeting.

FUTURE COUNCIL-INITIATED AGENDA ITEMS:

No items were identified.

ADJOURNMENT

There being no further business, Mayor/Chairperson Kennedy adjourned the meeting at 5:33 p.m.

MINUTES PREPARED BY

IRMA TORREZ, City Clerk/Agency Secretary

**CITY OF MORGAN HILL
JOINT SPECIAL CITY COUNCIL AND
SPECIAL REDEVELOPMENT AGENCY MEETING
MINUTES – JANUARY 29, 2003**

CALL TO ORDER

Mayor/Chairperson Kennedy called the meeting to order at 6:00 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Sellers, Tate and Mayor/Chairperson Kennedy
Late: Council/Agency Member Chang (arrived at 6:09 p.m.)

DECLARATION OF POSTING OF AGENDA

City Clerk/Agenda Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

At the invitation of Mayor/Chairman Kennedy, Parks and Recreation Commissioner Mark Frederick led the Pledge of Allegiance.

PUBLIC COMMENTS

Lillian Meyer stated that she has been visiting the senior center since the 1980s. She indicated that there is an individual at the senior center that is keying cars. She requested that this issue be addressed.

Mark Frederick, vice-chair of the Parks & Recreation Commission (PRC), informed the City Council/Agency Board that the PRC met last Tuesday evening. He was asked to address the Council/Agency on behalf of the PRC. He indicated that the PRC was informed, at its last meeting, that the contract and the preparation of plans and specifications for the indoor recreation center have been placed on hold. He stated that the PRC has not been apprized of this fact and felt that the PRC has been left out of the loop on this facility. The PRC has also been informed that the aquatics center is proceeding and that the plans and specifications would soon be prepared. Staff also shared with the PRC that given the revised estimates of the capital improvement projects (CIP) that the Council will be making difficult decisions regarding the prioritization and allocation of funding for the Visioning projects. The PRC discussed the fact that there is to be reallocation of funding for the indoor recreation center to the aquatics center and that it expressed concern with the reallocation. On the other hand, the PRC is pleased with the progress that is being made with the aquatics center and its implementation. He said that it appears that there is a fast track approach to the aquatics center. The PRC does not

believe that it is consistent with the Parks Master Plan approved by the Council. He said that the Parks Master Plan calls for a number of recreational CIP projects, including an indoor recreation center, aquatics center and a sports complex. The Plan also calls for the completion of a business plan for each of these facilities in terms of scope, cost benefit ratio, staffing needs, and revenue projections. He said that facilities and priorities are identified and are based on a users need survey conducted by consultants. The number one priority identified in the Master Plan was the indoor recreation center because it would provide unserved uses in the city. He noted that the aquatics center was not the highest priority because of the anticipated addition of the new high school. The improvements to Live Oak High School was deemed to be such that they would accommodate swimming needs in the short term until the aquatics center is built. He stated that the City does not currently have an indoor recreational facility, a teen program, and has an under served senior program. He said that the indoor recreation center, according to the business plan, would be a revenue generator and would help support a subsequent recreational facility such as the aquatics center. He stated that the Council approved the Parks Master Plan in 2001, noting that the City has already invested \$5 million toward the indoor recreation center with the purchase of the Gunderson property to be used specifically for an indoor recreation center. A business plan has been prepared for the indoor recreation center, and the schematic design contract has been executed.

Mr. Frederic stated that during the schematic design process, there was a question as to who would be the operator of the indoor recreation facility: the YMCA or City staff. He indicated that the PRC voted 6-1 to have the City operate the indoor recreation center. It was his belief that the Council subsequently voted 4-1 to support City operation of the facility. A special committee was formed and was tasked with further discussions with regards to the YMCA's role. He said that negotiations for the contract with the architects to prepare plans and specifications are underway. The PRC has been advised by staff that they have been directed to place a hold on the execution of the contract. He stated that the PRC recommends that the Council direct staff to execute the contract with the architectural consultant to continue the two-year effort by the PRC, citizens, staff and the Council/Redevelopment Agency toward the realization of the opening of the indoor recreation center. The PRC is requesting that funding not be taken away from the indoor recreation center and re allocated to the aquatics center. He stated that the indoor recreation center would be the center piece of the City's recreational program and that it is imperative that this project move forward in order to provide the recreational services that the citizens of Morgan Hill deserve.

Executive Director Tewes indicated that Mr. Frederick was expressing the views of the PRC on the relative priorities. He responded to the question as to whether or not staff has been directed to hold off on the execution of the contract. He indicated that the Council has authorized the contract with an architectural firm for the indoor recreation center. He stated that he is the individual who would execute the contract. Last week, he asked Deputy Director of Public Works Struve, who is responsible for the contract, as to the status of the contract. Mr. Struve indicated that the contract is all but done with one small point. He advised Mr. Struve to try and wrap up the contract. However, he would not be signing the contract until the conclusion of the Council/Redevelopment Agency workshop this evening.

City Council and Redevelopment Agency Action

CONSENT CALENDAR

Action: *On a motion by Council/Agency Member Carr and seconded by Council/Agency Member Tate, the Council/Agency Board unanimously (5-0) **Approved** Consent Calendar Items 1-4 as follows:*

1. **JOINT SPECIAL CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES FOR JANUARY 10, 2003**

Action: **Approved** the minutes as written.

2. **JOINT SPECIAL CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY ADJOURNED MEETING MINUTES FOR JANUARY 11, 2003**

Action: **Approved** the minutes as written.

3. **SPECIAL CITY COUNCIL MEETING MINUTES FOR JANUARY 15, 2003**

Action: **Approved** the minutes as written.

4. **JOINT SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES FOR JANUARY 15, 2003**

Action: **Approved** the minutes as written.

WORKSHOP:

5. **CONSIDERATION OF REVISIONS TO ALLOCATION OF THE REDEVELOPMENT AGENCY TAX INCREMENT**

Executive Director Tewes presented the staff report. He addressed the supplemental information distributed to the Agency Board this evening. He indicated that staff members were in attendance to assist the Agency Board in understanding the cost and the scope and any implications to changes that it wishes to consider.

Agency Member Tate indicated that the Agency Board has not identified where the additional funding for the aquatics center would come from. He felt that there was confusion about this as the aquatics center and sports fields are lumped together under one category. He recommended that they be separated into two different categories so that the Agency Board can place a focus on the sports fields and a separate focus on the aquatics center. Doing so would allow the Agency Board to better track these two projects in terms of funding.

Executive Director Tewes stated that \$20 million was allocated a year ago and that there is still \$20 million allocated today under this category. He said that the Agency Board will need to identify where the additional \$2.7 million for the aquatics complex would come from.

Agency Member Tate indicated that the Agency Board agreed to allocate an additional \$2.7 million to

the aquatics center and that it would be deciding this evening where the \$2.7 million would come from.

Executive Director Tewes identified Redevelopment Agency funding sources.

Director of Business Assistance and Housing Services Toy informed the Agency that it is anticipated that the Agency cap would be reached in five years.

Agency Member Sellers felt that the amount allocated to Business Assistance would be adequate. He recommended that the \$164,000 be kept as funding for the Downtown Association as this was a good faith commitment by the City when it assisted the Downtown Association with initial funding. He indicated that the Downtown Association is planning on becoming independent in three years. He stated that he would like to see the Chamber achieve independence to a much higher degree than what is being seen. He felt that \$125,000 assistance to the Chamber per year is too high, noting that assistance was higher this year. He stated that he would like to see this number reduced and eventually go down to zero. He would like to see a business plan that would show how the Chamber would be autonomous, yet providing services.

Executive Director Tewes indicated that \$100,000 has been reserved under Business Assistance; \$25,000 has been earmarked for the graffiti abatement program within the Redevelopment Project Area, and approximately \$25,000 has been reserved for property maintenance for Agency properties during the calendar year. The balance of funding is available for studies, commercial rehab loans, store front facades, etc.

Agency Member Tate did not believe that this amount was enough to undertake major projects such as installation of infrastructure or improvements over the next few years.

Chairman Kennedy said that it was his belief that the Agency assumed that the \$4.0 or \$5.5 million was to be used toward economic development (e.g., business projects, loans).

Agency Member Carr stated that the Agency should keep in mind that these are not the only line items that it has. He indicated that the Economic Development Committee (EDC) was going to return with a proposal that spends \$1 million specifically in the downtown area. He felt that this should be its own line item and not lumped with the Business Assistance projects. He said that the \$5.5 million does not have to fit neatly into the line items and felt that the Agency should be creating new line items for this type of funding.

Agency Member Sellers recommended that the line items be referred to the EDC versus going through each line item this evening.

Vice-chair Chang felt that the EDC can refine the numbers under Business Assistance with the assumptions presented by the Agency this evening and that the EDC return with recommendations.

Chairman Kennedy said that it was his belief that Agency Members Carr and Tate believe that the \$5.5 million would be used to provide economic assistance and that the EDC would return with a proposed

line item recommendation.

Agency Member Tate did not believe that the Agency had enough money to complete all projects that it has on its plate. He felt that one of the projects has to be removed in order to make the Agency whole. He said that he would like to reconfirm this evening that the aquatics center is the Agency's number one top priority. He stated that he could not make the aquatics center his number one priority but that he would support the Agency's decision that it is the number one priority and budget for it. If so, this would influence how he views the other projects.

Vice-chair Chang referred to flood control and storm drain. She indicated that the Agency discussed, in its goal setting sessions, interim flood control goals. She requested that staff identify the Agency's goals relating to flood control.

Executive Director Tewes said that during the Council retreat, the Council listed dozens of topics, one of the topics was a flood control project. The Council established this as a goal with the early completion of the PL566 project. The Council indicated that it would be asking staff to evaluate proposals for interim flood control improvements and how they might be financed.

Chairman Kennedy recollected that it was at his suggestion that flood control become a goal. This goal would take care of areas such as Hill & Dunne, Llagas & Hale and perhaps some of the downtown areas, including the south end of town where there is localized flooding that can be improved on an interim basis.

Executive Director Tewes indicated that the Council requested that staff evaluate these locations with possible solutions on how they might be financed. He noted that some of the areas mentioned by Chairman Kennedy are located outside the Redevelopment Project Area. Therefore, other revenue sources would need to be identified. He stated that when the Council allocated funds for flood control, it was for the Llagas Flood Control Channel. He said that after PL566 is installed, the City still needs to provide local improvements to improve flood control. These improvements are being proposed by issuing the allocation reserve.

Director of Public Works Ashcraft provided the Agency with a break down of what projects would be completed with the \$3.4 and \$3.7 million reserve. He said that the \$3.4 million would fund the PL 566 project and five or six other projects, completing the local storm drains. This would provide the City with 100-year flood protection. He said that the \$3.7 million is a place holder to be used for purchasing land and building retention basins that could be interim storm facilities until regional channels are built. He addressed the projects that have been approved as part of the CIP. He stated that it would cost millions of dollars to build regional facilities and connect to the storm drain system.

Chairman Kennedy said that there is a potential to use the \$3.7 million of the storm retention implementation funding to meet other needs.

Agency Member Sellers said that it would be helpful to review the public facility projects and determine how the Agency would like to proceed with these projects. He said that it would be helpful to know that the Agency may have some flexibility in the flood control area and that the Agency may

want to do more under economic development.

Agency Member Tate inquired whether the aquatics complex is the number one priority of the Agency as he did not believe that there was enough money to complete all projects.

Agency Member Carr said that the Agency already has taken a position that the aquatics center is the priority project. However, the Agency has not agreed where the additional funding is to come from.

Vice-chair Chang said that she supported the aquatics project as the number one priority, noting that it was at a lower budget level at the time. She said that the indoor recreation center and the aquatics center are of equal priority to her. She was not comfortable in stating that the aquatics complex was higher in priority than the indoor recreation center. She distributed to the Agency Board information that suggests that the indoor recreation center be moved to the current soccer site, selling the Gunderson site to the RDA housing project for its current value of approximately \$5.5 million. She sees an advantage in combining the synergism of the two centers, making the area a semi designated location for sports and youth activities. It is her goal to achieve higher revenues and higher sales tax dollars and that combining the two projects may result in cost savings. Sale of the Gunderson site would result in freeing up \$5.5 million with \$2.7 million being allocated toward the aquatic center and \$2.7 toward economic development. The City could retain the Gunderson site, using half of the site for housing and the other half to be used as part of the Community Park. She felt that there were other possibilities. Another alternative would be to sell half of the Gunderson site, ear marking the proceeds from the land sale toward the aquatics complex. She recommended that staff be allowed to evaluate her proposal to see if it has merit. She stated that she was not comfortable in taking \$2.7 million away from the sports fields and that she would like to see more economic development dollars placed into the economic development fund. She said that she was not holding ownership to her proposal but that she wanted to stimulate discussion.

Agency Member Tate said that he was convinced that the Agency does not have enough money to complete all the Visioning projects. He felt that Vice-chair Chang has come up with a solution that would assist in completing several of the projects by giving up one site. Commissioner Frederick stated that the indoor recreation center should be the number one priority because the City is not serving its youth and that it is under serving its senior. He felt that the City's top priority should be serving its seniors and its youth. He liked Vice-chair Chang's idea of a combined, scaled back, indoor recreation center that meets the high priority needs of the seniors and youth. This would still provide for outdoor recreation facilities and fields on the same property to achieve all goals.

Vice-chair Chang noted that the soccer fields are comprised of 38 acres. She indicated that the indoor recreation center is proposed at 50,000 square feet (less than 1.5 acres).

Agency Member Sellers stated that he has given thought to Vice-chair Chang's proposal and felt that it had merit. He expressed concern with proceeding in this direction for the following reasons: 1) the Agency has embarked with the aquatics center project. Should the Agency embark in this proposal, the Agency would not be able to proceed with the plan to open the aquatic center in 2004. He did not believe that the proposal could be studied and completed without halting the aquatics center should the projects be combined. 2) He said that the groups that the City wants to serve (youths and seniors)

would not be able to access the Condit Road site by mass transit or foot traffic. This would be a significant population that would not be able to access the Condit Road site. 3) He expressed concern with having a skateboard park at the outskirts of the community versus being connected to the community. 4) The City would be looking at some form of redesign by combining the two projects as the indoor recreation center would be scaled down.

Vice-chair Chang said that she envisioned that staff could study her proposal as there was not enough information to evaluate the proposal this evening. She recommended that the aquatics center proceed as designed. She did not believe that the incorporation of the indoor recreation center and the aquatics center would slow down the aquatics center. She felt that the senior component could be pulled out of the indoor recreation center and that the City could convert the Friendly Inn into a senior center. She envisions the Condit Road area as a sports and youth activity center. She said that mass transit could be rerouted to access the Condit Road site. She felt that there were commercial possibilities and that the Condit site would become a mecca for a sports/activities complex and an economic development center. She stated that the Agency would be reviewing the operating cost for the aquatics complex next week, noting that it is projected to have a \$150,000-\$300,000 deficit in operating costs. She felt that the City needs to perform better than cost recovery. She said that the business plan will clearly identify the operating cost.

Agency Member Sellers said that the Agency understood that there would be some projects that would not be able to pay for themselves. He felt that the Agency needs to look at general fund revenues. He said that he would feel comfortable going back to the community seeking funding to provide the recreational services desired. He felt that public facilities are built to serve the community. Selling the Gunderson site was not what he envisioned as a goal just so that the City can break even or make money on this project.

Chairman Kennedy felt that it was important to know what the operating costs are going to be for each facility before the Agency proceeds. This may mean that there will be a subsidy for facilities but that the Agency/Council would know the estimated subsidy going into the project. He did not believe that the City would want to get into a situation where it is willing to pay more to keep a facility running. He felt that the City has the ability to fall back in a manner of operation so that it is consistent with the City's operational ability. He did not believe that the Agency was moving away from the Parks Master Plan. He said that this document was developed as a result of a lot of public input and information. He did not believe that the Agency/Council should stray from this document but stay on track when it looks at the economics of these projects.

Agency Member Tate stated that he has not discussed with Vice-chair Chang her proposal. He agreed that the senior center could not be sited on Condit Road. He felt that the Condit Road site would be suitable as a youth center complex. He felt that the bus route could be changed to make the facility accessible to youth. He would agree to combine the athletic facilities adjacent to the aquatics center in order to make it a break even venture. He felt that the athletic facility could help subsidize the aquatics center in order to avoid using much of the general fund.

Agency Member Sellers stated that the indoor recreation center is planned for the Gunderson site and that it was designed with an indoor pool. As designed, it is a break even project. He felt that

elimination of the pool would result in the loss of revenue and running in a deficit based on how it would interact with everything else. He did not believe that the City could continue stating that the aquatics center is static and that no changes are to be made but yet, it is being proposed to add an appendage to it. If two facilities are combined, he felt that a review of how they work together would need to be undertaken.

Agency Member Tate felt that the indoor recreation center could be designed to be compatible with the aquatics center. He felt that the Agency needs to study economics and that it may be determined that an indoor pool is necessary.

Vice-chair Chang did not recommend the elimination of the pool from the indoor recreation center. She would support eliminating the senior center component. She recommended that the Sports Management Group be asked to review her proposal to see if it makes sense. She did not see her proposal as a regional center but that she sees it as a community-oriented facility that would draw 20% additional individuals who would visit the site in order to achieve a break even economic plan.

Chairman Kennedy raised the suggestion of taking a portion of the Gunderson site, selling it to the RDA housing. Further, retaining the indoor recreation center at the Gunderson site, and providing housing as part of the project. This would accomplish two things: 1) bringing in revenues that would become available for other projects; and 2) would provide a site for housing (e.g., senior, teacher housing). This proposal may be a way of generating additional revenues. He felt that his proposal would be a compromise.

Vice-chair Chang noted that the Agency is short of money for economic development, the aquatics complex and the operation of the aquatics center.

Chairman Kennedy proposed that the Agency take a portion of the future flood control detention funds and shift them as well. He recommended a \$3 million combination; funding to come from housing and flood control in order to make up for the shortfall. His proposal would be the transfer of funds as a compromise and approaching the problem from a different perspective.

Chairman Kennedy opened the floor to public comment.

Lillian Mayer recommended that Agency members not go against each other and be open to a vision. Seeing the vision of others does not mean that one needs to accept it.

Martin Kapetanac stated that she understands that the Council wants to appease everyone in the community, understanding that there are problems associated with lack of funds. She said that the Community and Cultural Center was designated while other projects were placed on hold. The Community and Cultural Center is now completed and is functioning. She stated that she rallied and worked hard for RDA monies because she had a special interest as she wanted to see an aquatics complex in the community. She would hate to see that it is given up. She felt that the indoor recreation center is just as important. She likes the idea that the indoor recreation center is planned on the Gunderson property. She felt that the Gunderson property would be an ideal location for senior housing. She could not see relocating the indoor recreation center to the sports complex site. She felt

that the Council would end up with dissatisfied residents with the construction of a tall structure; noting that the sports complex exists as fields. She supported retaining the indoor recreation center at the Gunderson site.

Tim Thornton stated that it was mentioned to him that one of the issues that came up with the 50-meter pool was that rather than making it a deep facility uniformly, that it was to be shallow at one end so that it can be used as a teaching pool. He felt that with the facilities at Britton, Live Oak High School, and the new high school would have shallow ends that could be used for swim lessons. He requested that the Agency look at an all deep 50-meter facility.

No further comments were offered.

Agency Member Sellers said that the Agency has already proceeded in a direction and that the Agency/Council is still heading in this direction. He recommended that the Council/Agency reconfirm this commitment. He noted that the Agency has allocated \$12.35 million toward the aquatics center. He stated that he spoke with Agency Member Carr who suggests sending the balance of the public facility projects and some of the suggestions back to the Parks and Recreation Commission as they deserve to be engaged. However, he was not sure whether it would alter the process. He felt that it would be appropriate to have the Parks and Recreation reconsider these items. He recommended that the Agency look at the bigger picture and some of the specific allocations. He said that he would be interested in looking at reallocating some of the flood control funding.

Agency Member Carr stated that he would be interested in looking at the public facilities category, sending this category back to the Parks and Recreation Commission. He noted that it was indicated by the Vice-chair to the Parks and Recreation that it would like to be involved. He said that at the retreat, the Council indicated that it would like to find ways to use its commissions more effectively. He recommended that the Parks and Recreation Commission be asked to look at the dollars, including suggestions like the one Agency Member Chang made and any other suggestions that the Commission may have with the confirmation that the aquatics budget is at \$12.35 million. He stated that he would like to hear the Parks and Recreation Commission comments on where the \$2.7 million is to come from. He said that he was not comfortable in taking away the flood control funding. However, he felt that there are ways that the Agency could specifically earmark some of these dollars to help other categories. He said that the EDC suggested that it was going to come back with a proposal on how to start a catalyst project in the downtown. He felt that this should become a very specific new line item in the whole plan. He stated that he would like to see specific dollars allocated to this line item. He suggested that \$3 million be allocated with \$1 million going toward economic development, \$1 million toward housing and \$1 million for “infrastructure” that could come out of the Flood Control Storm Drain funds. He agreed that the Agency needs to find a way to increase dollars that are available for economic development and act as a catalyst for the downtown. He felt that this may be an issue that the EDC can spend some time on. He did not believe that the Agency should limit itself to these funds when thinking about alternative funding sources.

Chairman Kennedy felt that the Agency can accomplish the Visioning projects established with the funds available. He said that the Agency can look at other specific possibilities such as housing at the Gunderson site that might provide some source of revenue. He requested that staff look at the flood

retention funds. He was convinced that the aquatics center has a very healthy contingency of \$1 million. He would expect that it would come in under budget. He felt that there were opportunities available and supported the idea of taking this back to the Parks and Recreation Commission, having them review the numbers. He suggested that there may be other funding sources that could assist with the completion of the Visioning projects such as using some of the reserves from the General Fund after the City gets through the economic crises. He felt that reserves should be used for one time purposes and not be used to pay for on going expenses.

Agency Member Tate was pleased to hear Chairman Kennedy felt that all of the Visioning projects were important because he felt that this includes the sports fields as a high priority.

Vice-chairwoman Chang felt that more funds should be ear marked for economic development. She noted that the Agency/Council talks about making Morgan Hill a tourist center to generate additional revenues. She inquired whether the City was trying to accumulate enough money to develop a major shopping center or develop other alternatives? She did not believe that Morgan Hill was a tourist community or an attraction at this time. She did not believe that individuals would consider Morgan Hill a destination center. Individuals would not shop in Morgan Hill as they will shop in Gilroy. She felt that a true destination could be the sports complex, a car dealership or a major shopping center. She stated that she did not support a car dealership because she did not believe that this use was the right image for Morgan Hill.

Action: *It was the consensus of the Agency Board as follows: **Confirmed** that the allocation for the aquatics center is at \$12.35 million. The Agency Board requests that the Parks and Recreation Commission view the public facilities section of the allocation and include an evaluation of ideas such as those proposed by Chairman Kennedy and Vice-chair Chang regarding the Gunderson property. The Commission is also to provide the Agency Board with their thoughts on the public facilities allocations. The Commission is also to provide their thoughts on how to make up the \$2.7 million allocated to the aquatics center.*

Agency Member Carr stated that he would be interested in hearing the Parks and Recreation Commission's thoughts on where the \$2.7 million is to come from, noting that only the public facilities funding is available for them to look at.

Agency Member Sellers noted that the Parks and Recreation Commission's charge is that of public facilities funding.

Agency Member Tate did not believe that funding for the library was in the purview of the Parks and Recreation Commission. He recommended that they be authorized to review recreational funding. He said that if the City was to pull the Library funding out, the City would save a lot of wear and tear on the second application for Library funding.

Chairman Kennedy concurred with taking the library funding out of the Parks and Recreation Commission purview as it would send a mixed message. He noted that the City would be moving forward with the Library grant application. Vice-chairwoman Chang concurred with Chairman

Kennedy's comments.

Executive Director Tewes noted that Agency Member Carr, on behalf of the EDC, suggested the creation of a \$3 million pool with a one line item to be used for the downtown. He said that it was not clear to him whether the Agency Board agreed with the EDC or whether the Agency Board wanted the Committee to return with a recommendation.

Agency Member Tate indicated that the EDC has requested that it be allowed to further refine the economic development policy.

Agency Member Carr stated that the EDC was contemplating ideas for an economic development policy.

Chairman Kennedy stated that it appears to be the consensus of the Redevelopment Agency that it would allow the EDC to break out the different line items for the \$16 million.

Agency Member Tate clarified that the EDC inquired whether the Agency liked the idea of placing the money on the table to have a competition in order to have a kick start for the downtown project as presented last Friday. Based on Agency Members' comments, the EDC would be refining their proposal and returning with a recommendation at a future meeting date.

Agency Member Sellers expressed concern that projects may be presented that are ready to proceed today that may not be here when the EDC completes its work.

Agency Member Carr indicated that the EDC is trying to get away from the "first come, first served" concept.

Agency Member Tate indicated that the applicant for a project has requested that a project be agendized by Agency Member Sellers and Chairman Kennedy. Therefore, the Agency can discuss this particular project when it comes before the Agency.

Chairman Kennedy supported the EDC recommending economic development line items. He wanted to make sure that the Agency is very clear on what it is asking the Parks and Recreation Commission to do. He inquired as to the intent of the motion.

Agency Member Carr stated that in conforming that the aquatics budget is set, the Agency is over budget by \$2.7 million. He felt that the Parks and Recreation Commission has an interest in being involved on the decision of where the \$2.7 million would come from, looking at public facilities to find the \$2.7 million. He did not believe that the Parks and Recreation Commission should be limited to keeping things the way they are today. He felt that finding the \$2.7 million may necessitate the elimination of an entire project because it no longer makes sense to proceed with a project should funding be reduced for a particular project. As an alternative, projects could be moved around, taking a look at different options without necessitating an amendment to the Parks Master Plan.

Chairman Kennedy stated that he would like to request that the Parks and Recreation Commission

look at the flood control retention funds and not the other categories as options.

Agency Member Sellers recommended that it be clarified to the Parks and Recreation Commission that the Agency is looking at alternative resources and that the Agency would like to charge them with looking at these specific projects with the need to find \$2.7 million. He wanted to advise the Parks and Recreation Commission that the Agency is also looking at other possibilities/options as well.

Vice-chair Chang noted that 4-5 acres are needed for the indoor recreation center.

Executive Director Tewes stated that as a rule of thumb, when you take into account parking, setbacks, landscaping, trash bins, etc., every 10,000 square feet of building would require one acre. He noted that the indoor recreation facility is proposed at 50,000 square feet, therefore, 4-5 acres would be needed.

Chairman Kennedy inquired whether the City is moving forward with attaining the corporation yard and making this space available within a realistic time frame?

Executive Director Tewes responded that staff is moving forward with the direction given by the Council in adopting the budget in two respects: 1) The lease with the School District expires in approximately six years. The Council has requested that staff give thought to how this space can be incorporated into the Community Park. 2) With respect to the City's corporation yard which is less than 2 acres, the Council has requested that staff prepare a study this year for alternative locations. He informed the Agency that this report would be presented in approximately two months.

Chairman Kennedy felt that this information would be important for the Parks and Recreation Commission to know.

Vice-chair Chang noted that the Parks Master Plan sites the skate park to be co located with the sports field and soccer complex.

Chairman Kennedy said that before VTA would agreed to allow the City the use of their site for a skate park and BMX facility, they needed assurance that the City had a plan to move the use to a permanent location. He was not sure whether the Agency/Council firmly decided where the use would go. He recommended that the Parks and Recreation Commission consider the location of the skate park and BMX facility.

Agency Member Sellers inquired whether the Agency was authorizing staff to spend more money to research a new location for all facilities under discussion or whether the Agency was seeking Parks and Recreation Commission comments?

Vice-chairman Chang stated that she would like staff to be participant on this discussion.

Action: *It was the consensus that the Agency that it did not want to spend money for consultants and **Directed** that the study be conducted internally with city staff and the Parks and*

Recreation Commission.

Executive Director Tewes indicated that the Parks and Recreation Commission spends time thinking about the operating costs and the next operating subsidy. He said that when the Parks and Recreation Commission recommended an indoor recreation center of a certain size and certain components, part of their recommendation was related to their belief, based on the staff analysis, that this public facility has a fighting chance of breaking even. As the Agency/Council requests that the Commission look at taking some components out and moving them around, the Agency/Council can expect that the Commission will address the impact on the operating costs.

Chairman Kennedy agreed with Agency Member Sellers that there may be some projects that the City would be willing to subsidize. He said that the assumption should not be that all projects will break even.

ADJOURNMENT

There being no further business, Mayor/Chairperson Kennedy adjourned the meeting at 9:23 p.m.

MINUTES RECORDED AND PREPARED BY

IRMA TORREZ, City Clerk/Agency Secretary

**CITY OF MORGAN HILL
JOINT SPECIAL AND REGULAR CITY COUNCIL
AND SPECIAL REDEVELOPMENT AGENCY MEETING
MINUTES – February 5, 2003**

CALL TO ORDER

Mayor Pro Tempore/Vice-chair Chang called the special meeting to order at 5:10 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Chang, Sellers, and Tate.
Late: Mayor/Chairman Kennedy (arrived at 5:15 p.m.)

DECLARATION OF POSTING OF AGENDA

The meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

WORKSHOP ON CITY BUDGET

1. WORKSHOP: BRIEFING AND DIRECTION ON THE CITY'S BUDGET

City Manager Tewes led the City Council budget workshop, presenting a power point presentation relating to the budget. He said that the City of Morgan Hill is a low frills city as this is a low tax paying community. Morgan Hill is a below per capita spending on city services compared to other cities. He addressed sales tax per capita as compared to the County. The County, on average, has done better than Morgan Hill. Had the City achieved the county average, the City could have achieved \$10.8 more in sales tax growth. He said that it is anticipated that the sales tax will increase 3% based on the current model with a 5% increase in property taxes. He addressed the impact of the vehicle license fee (VLF) take away on the general fund revenues. He addressed the history of annual general fund revenues (increases/decreases). He said that the forecast is conservative versus the past 10-year trend. He informed the Council that there are certain costs that the City incurs that cannot be avoided such as the retirement benefit levels to be made available to employees. He said that in past years, PERS did not charge cities for their actuaries and that starting next year PERS costs need to be added to the budget. He said that the City needs an additional \$338,000 next year to cover PERS costs and another \$165,000 to fulfill employee step increases. He indicated that other cost impacts are discretionary (e.g. salaries and medical costs). Other costs include gasoline and utilities that will increase next year. He said that the City has taken steps to address the problem. A hiring freeze has been implemented, resulting in cost savings and creates room to analyze how the City can continue to provide services at a reduced staffing level. He identified the following options as part of a budget strategy: 1) reduce costs for nonessential expenses; 2) control future cost increases; 3) eliminate or reduce programs or services; 4) defer programs or projects; 5) reorganize city functions; 6) increase taxes or fees; 7) expand tax base; 8) draw down general fund reserves; and/or 9) draw down from other fund reserves. He distributed the budget options for Council consideration. He said that staff would find it helpful if the Council would give some sense of direction to staff in order to prepare for next fiscal year's budget.

Mayor Kennedy inquired about the projections that showed the sales tax going up by 3%. He stated that he just returned from a VTA financial budget crises meeting, indicating that the sales taxes are dropping.

City Manager Tewes shared that the County is projecting a 1.2% drop in sales tax. He felt that the County is much more volatile where the City is a little more stable. He said that staff could provide judgment as to whether it believes the City's sales tax has bottomed out.

Director of Finance Dilles felt that the City's current sales tax is stable. He indicated that sales tax has dropped approximately 10% from last year.

Mayor Kennedy said that VTA attributed the impact on the economy to the drop in dot com businesses and that they are not seeing a change in recovery. He anticipates another slight drop in sales tax dollars.

Council Member Sellers agreed that the City would be flat in sales tax but that it was his belief that you cannot find a prolonged flattened or reduced period that goes beyond three years in past history. He agreed that the City is looking at another flat year. He noted that although revenues exceeded expenditures, the City was able to maintain a healthy reserve.

Mayor Pro Tempore Chang said that based on all the work that needs to be completed in the future, the Council needs to be careful with its budget and its reserves.

Mayor Kennedy noted that Director of Finance Dilles has projected a 3% sales tax forecast.

City Manager Tewes said that when it comes to preparing a budget, staff does not prepare a general fund projection but reviews line by budget line items.

Director of Finance Dilles said that there was a 3% increase in sales tax across the board with the exception of the Vehicle License Fee (VLF). It is being projected that the VLF revenue would be flat.

Council Member Sellers indicated that the State has not stated that they have an obligation to backfill VLF and will not do so for 2-3 years.

Mayor Kennedy recommended that the Council start with the assumptions it wants to make. He said that Milpitas is taking a worse case scenario. He said that he and the City Manager discussed the City's options. He recommends that the City proceed with a base budget that does not include VLF, and one that includes scenarios (e.g., a scenario with the Governor's VLF proposal and a scenario some place in between).

Mayor Pro Tempore Chang recommended that the City consider a couple of scenarios: one using a 0% increase, one with a 3% increase, applying each of the percentages with and without the VLF (four scenarios). She stated that she was not comfortable with the projected 3% increase in sales tax. She agreed that the City would get the VLF back some point in time.

Council Member Sellers said that should Governor Davis get his way, this would be a worst case scenario.

City Manager Tewes addressed the budget forecast. He said that staff prepares the annual budget based on current data. He said that the Council should scrutinize the budget estimates. He indicated that a major component of the sales tax comes from business to business. He said that the City has in its possession confidential data of everyday business and how many day to day businesses exist.

Mayor Kennedy noted that there has been no discussion about creating new businesses.

Council Member Sellers said that both industrial business parks in the community are increasing their staffing levels. This growth can help offset the situation along with other new businesses that come in for the short term. He said that he was comfortable with the 3% sales tax and the 5% property tax projections.

Mayor Kennedy said that auto dealerships bring in a significant amount of tax revenue with a healthy auto dealership having \$25 million in sales, generating \$250,000 in sales tax. He inquired as to the status of potential auto dealership(s)?

City Manager Tewes said that a new auto dealer has met with planning staff regarding conceptual review but that he did not believe that a formal application has been submitted for Architectural and Site Review.

Director of Business Assistance and Housing Services Toy said that it is the new auto dealer's game plan to have the auto dealership opened in two years.

Mayor Kennedy said that the Council needs to provide staff with direction on the budget solution strategy they should focus on.

Mayor Pro Tempore Chang stated that she was not comfortable with the 3% sales tax revenue projection.

Council Member Sellers said that he was trying to determine a base sales tax increase.

Mayor Kennedy noted that Mayor Pro Tempore Chang recommended that four budget scenarios be presented.

City Manager Tewes said that it appears that the Council needs to know possible denominations in order to proceed with next fiscal year's budget.

Mayor Kennedy recommended that the budget be plugged in and that as the City approaches the June 30, 2003 budget adoption date, the Council can revisit the budget and adjust it accordingly.

Mayor Pro Tempore Chang recommended that sales taxes be included as part of budget preparation at zero growth and 3% growth; and each category to be calculated with and without the VLF. She said that she would like to see the numbers line up so that she can determine what she would approve. She said that once staff has provided the Council with the numbers, the Council can identify its solution strategy.

Council Member Sellers identified his priorities as follows: 1) expand the sales tax base, and 2) draw down the general fund reserve. He felt that the City's high reserves have to be in line with those of other cities. Should the Council wish to retain its 40% general fund reserve policy, cuts will need to be discussed.

Council Member Carr said that staff needs to know the numbers to be used in order to allow the Council to have the discussion that needs to take place. He said that staff can recommend a reduction that will help the budget. He said that the Council may need to discuss cuts in order to retain the reserves.

Council Member Tate noted that staff has already reduced its costs by \$400,000.

Mayor Kennedy did not know if the City has performed all the reductions that need to be taken.

City Manager Tewes said that staff has cut as much as can be cut. If the City is to have a smaller staffing level, the City needs to provide adequate training for staff left behind.

Council Member Tate felt that staff has reduced the budget to what is reasonable.

Mayor Pro Tempore Chang felt that everyone has a priority but that it would take time for her to rank her priorities.

Council Member Tate would rank reducing costs as his number 1 priority but not to the point of being unreasonable.

Council Member Carr felt that staff has cut as much as it can. Further reductions would result in the elimination of essential services. He stated that further reduction in costs is not a high priority to him.

Council Member Tate felt that the Council would be looking at using the reserves beyond next fiscal year.

Mayor Pro Tempore Chang and Mayor Kennedy felt that it would be a high priority to ask staff to make additional cuts but not to the level where it becomes unreasonable.

City Manager Tewes informed the Council that staff has made cuts and that City staff has minimized costs in order to provide training and maintain the current staffing levels.

Council Member Sellers felt that staff did a great job in reducing costs.

Mayor Kennedy said that when it comes to layoffs versus training programs, he would cut training programs. He said that he would rank this as a high priority.

Council Member Tate said that he wanted to make sure that the City retains its existing healthy reserves.

Mayor Kennedy noted that another strategy is to draw down the general fund reserve to less than 40%.

City Manager Tewes said that the current reserve is at \$10 million and \$1.4 million for fire. Staff is managing reduction of the budget based on Council policy and the economy. He said that cumulative, the City would draw down the reserve by \$1.1 million. He informed the Council that staff has spent hours reviewing the budget and that it would require reducing the policy below 40% even though staff reduces its costs and expenditures.

The Council offered the following comments under the Potential Solution Priority Sheet distributed by the City Manager:

Controlling Future Cost Increases: Council Member Tate indicated that this was a medium priority to him. Mayor Kennedy felt that this was a high priority. Council Member Sellers said that the City could try to maintain benefits but if costs go up, costs need to be adjusted accordingly. Council Member Carr recommended looking at ways of reducing costs. Mayor Pro Tempore Chang felt that this was a low priority.

Eliminating or Reducing Programs or Services: Mayor Kennedy ranked this as a low priority. Council Member Tate ranked this as a #2 priority based on the fact that benefits will increase. He recommended looking at the Park and Street Maintenance fund. Council Member Sellers rated this solution as low because it would be at odds with what the Council is trying to achieve. He noted that the Council has indicated that staff layoffs was a low priority solution. Council Member Carr ranked this solution as a low priority. Mayor Pro Tempore Chang indicated that this was a low priority solution.

Deferring Programs or Projects: Council Member Sellers said that the indoor recreation center would not change anything as it would be a self supporting project. He indicated that the Fire Master Plan and the police station could be delayed for a year. He indicated that he would like to see where funding for the aquatics complex would come from as it may result in taking a big hit on the general fund. Council Member Tate recommended that the Fire Master Plan be deferred for a year. Also, defer the aquatics center in order to avoid adding to the problem. However, he felt that the police station was a different situation. He said that asking the police personnel to work out of an inadequate station should be given separate consideration. Council Member Carr said that ranking of projects would depend on what action is taken on other items. He would like to keep all programs on line. If the City is to retain high reserves, he did not believe that the city could implement new programs. Mayor Pro Tempore Chang recommended taking \$2 million from the reserves for the police station. She said that she would support using the reserves for one time use and not for on going purposes. She concurred with the other comments as expressed. Mayor Kennedy stated that he would not mind using reserves as one time expenditures. He did not want to use reserves for on going operations.

Council Member Sellers felt that it would be appropriate to use funds for economic development of the downtown as an on going use/expenditures.

Reorganizing City Functions: Council Member Sellers said that if this was a smart idea, staff would have already implemented this solution.

City Manager Tewes said that staff would reorganize city functions explicitly to reduce costs. If vacancies exist, reorganization might work. He said that vacancies are occurring in the enterprising funds and not within the general fund departments.

Council Member Sellers felt that this may be a short term solution. Mayor Pro Tempore Chang felt that this solution was at the City Manager's discretion. Council Member Tate listed this solution as a low priority. Mayor Kennedy listed this solution as a high priority. Council Member Carr said that if this solution becomes a high priority, it may affect services.

Mayor Kennedy said that Council Member Sellers pointed out that staff may have already implemented this solution. If in reorganizing, it is done simply to cut cost and not provide greater efficiency in services, he would support leaving this solution to the City Manager's discretion.

Increasing Taxes or Fees: Council Member Sellers stated that the City is looking at bringing projects on line. It would be fair to take the question to the voters of maintaining a level that is appropriate for the community and that he would support a recreation parcel tax. He said that cities would be looking at ways to stabilize local budgets.

Council Member Tate concurred with Council Member Sellers comments.

Council Member Carr ranked this solution as a low priority based on the City's high reserve balance. He did not believe that the voters would approve a tax measure because the City has high reserves.

Director of Finance Dilles said that under the projection presented, the City would drop below the 40% reserve in 2005-06.

Mayor Pro Tempore Chang said that the discussion needs to focus on whether the City is moving forward with the aquatics center, the fire master plan, the police station, and other identified projects. She said that in five years the City would only have \$1.5 million in reserves.

City Manager Tewes said that based on a 10-year assumption, the City would be dipping into its reserves, dropping the reserves slightly below 40% in 2005/06 without proceeding with significant projects. If the significant projects are undertaken, the reserves would be below the 40% adopted policy. Under this forecast, the City would spend more than it takes in and would have to draw from the reserves.

Expanding Tax Base: It was the consensus of the Council that this is a high priority issue. Mayor Pro Tempore Chang stated that she would support this solution with the exception of an auto dealership.

Drawing Down Other Reserve Funds: Mayor Kennedy indicated that this is a low priority solution as it provides a source of revenue to offset operating costs. If the City uses the trust fund, you end up paying more in property taxes. Council Member Tate stated that he needs to understand how much reserves would be used. Council Member Carr felt that this was a high priority item. Council Member Sellers said that it would be foolish to use reserve funds for ongoing costs. Mayor Kennedy considered this to be low priority but felt that it could be implemented as a last resort.

City Manager Tewes said that staff would prepare and submit a base budget for Council consideration. Staff will review long range strategies and return to the Council with said strategies at a future meeting.

Action: *Council Members **Discussed** the 2002-2003 City Budget, and **Provided** the above stated comments to Staff.*

City Council and Redevelopment Agency Action

Mayor Kennedy announced that the Closed Session items would be deferred to the conclusion of the regular agenda.

CLOSED SESSIONS:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant Exposure/Initiation of Litigation

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 4

2.

CONFERENCE WITH LEGAL COUNSEL - POTENTIAL AND EXISTING LITIGATION:

CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Legal Authority: Government Code 54956.8 & 54956.9(a) & (c) (1 potential case)

Real Property(ies) involved: APN 728-31-007 & 008; 25.50 acres located on the southwesterly side of Cochrane Road (St. Louise Hospital property)

City Negotiators: Agency Members; Executive Director; Agency Counsel; F. Gale Conner, special counsel; Rutan & Tucker, special counsel

Case Name: San Jose Christian College v. City of Morgan Hill

Case Numbers: Ninth Circuit Court of Appeal No. 02-15693

Closed Session Topic: Potential Existing Litigation/Real Estate Negotiations

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

At the invitation of Mayor/Chairperson Kennedy, Wes Rolley, Parks and Recreation Commissioner, led the Pledge of Allegiance.

PROCLAMATIONS

Mayor Kennedy presented a proclamation to Jan Fox, Santa Clara County Office of Education, in honor of Silicon Valley Reads. He announced that on February 22, 2003, Francisco Jimenez, author of *Breaking Through* will be at the Morgan Hill Community Center from 10 a.m. to 12 noon to conduct discussions and book signings. He encouraged everyone to attend and become involved in this worthwhile program.

Mayor Kennedy presented a proclamation to Celia Sanchez and Inga Huang, co presidents of Future Business Leaders of America, proclaiming February 9-15, 2003 as *Future Business Leaders of America Week*. He recognized Kiki Nakauchi for being a coach, educator and trainer of the FBLA program for many years.

CITY COUNCIL REPORT

Council Member Carr addressed the grand opening of the Morgan Hill Community Playhouse held last Friday night. He thanked staff for working hard and putting the grand opening together; bringing together the different performance as well as the ribbon cutting ceremony. He said that the South Valley Civic Theater will be opening their first show this Friday evening with *Lend Me a Tenor*. He felt that this would be a great opportunity for individuals to see the playhouse. He stated that the Measure P Committee is working diligently at catch up to the pace where it should be. He said that there has been great discussions taking place that have set the committee a little off pace. He said that Chairman Tate is working diligently to get the committee back on track to meet the new deadline established. 3) The Economic Development Committee (EDC) continues to work on an economic strategy that would be brought before the Council. The EDC is also working on some of the issues relating to economic development and putting ideas together that were presented to the Council at the retreat relating to a competition, specifically in the downtown, to serve as a catalyst to revitalize the downtown. The EDC will return to the Council for review and approval of a strategy. 4) The City-School Liaison Committee will meet on Friday, February 7, 2002. The agendas for these meetings are set in order for the City to learn more about the School District and for the School District to learn more about the City's operations in ways to work together. The School District will address school impacts based on the state budget and that the City will address the City's budget impacts as well.

COUNCIL SUB-COMMITTEE REPORT

No subcommittee reports were presented.

CITY MANAGER REPORT

City Manager said that at the Council budget study workshop, staff discussed with the Council the implications of the current economic recession in Silicon Valley and its implications to the City's budget. He said that the City needs to reduce its costs in order to address the recession. Staff also shared with the Council the major impact on the City's budget that would occur if Governor Davis' proposal to reduce the City's annual revenues by 10% gets enacted. He indicated that the Governor vetoed a proposal by the legislature to restore motor vehicle license fee revenues to their previous levels. He felt that the City needs to anticipate that the State will take money away from local services and will have adverse impacts on the City's budget. He indicated that staff would continue to keep the community up to date with items on the City's website for individuals interested in following the budget debate and its implications on local city services. He indicated that the Council has spent three days, over the last couple of weeks, working on its annual goal setting sessions. The Council directed staff to document a series of decisions that have been made and bring them back for Council consideration. He said that he proposes to bring goals back for Council consideration on February 26 to confirm that these are the goals that the Council wishes to pursue.

CITY ATTORNEY REPORT

City Attorney Leichter stated that she did not have a report to present this evening.

OTHER REPORTS

PUBLIC COMMENT

Chris McCann, Best America Party, distributed an article entitled *Homeless is a Problem of the Heart* that will be published in the Morgan Hill Times on Friday. He addressed a possible solution to end homelessness in Morgan Hill and abroad. He said that he is proposing a *Back on My Feet Foundation/Program*. The goal of the program is to have a Morgan Hill and abroad program where every citizen who is homeless or falls on hard times and becomes homeless know that there is a program that will help them get back on the road to independence and prosperity once again. The individual who signs up for the program is given a form of identification that states that the individual is getting back on their feet and is a participant of the program. Local employers are contacted to help find work for program members. Once participants are employed and begin to accumulate money, the program would hold the majority of the money earned and lets it grow until there is enough to rent an apartment or a designated place to live. Individuals would be able to leave the institution and begin living an independent and productive life. He stated that he would donate his time to make Morgan Hill homeless free. If the City cannot help in a formal fashion, he has a sense of satisfaction that he has spread more awareness to the situation. He welcomed the help from others interested in attaining this goal.

No other comments were offered.

City Council Action

CONSENT CALENDAR:

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the Council unanimously (5-0) **Approved** Consent Calendar Items 2 - 11, as follows:*

2. **MID-YEAR 2002/2003 BUDGET ADJUSTMENTS**

Action: **Approved** Proposed Mid-Year Budget Adjustments for 2002/2003.

3. **AGREEMENT WITH THE STROMBOTNE LAW FIRM**

Action: **Authorized** the City Manager to Execute an Agreement with the Strombotne Law Firm.

4. **RESOLUTION AMENDING CITY'S CONFLICT OF INTEREST CODE REPORTING CATEGORIES – Resolution No. 5634**

Action: **Adopted** Resolution No. 5634 Amending the List of Positions Subject to the City's Conflict of Interest Code.

5. **AGREEMENT TO PARTICIPATE IN LOCAL CALIFORNIA IDENTIFICATION SYSTEM**

Action: 1) **Authorized** the City Manager to Sign the Amended and Restated Agreement to Provide Local Agency Access to California Identification System (CAL-ID); and 2) **Authorized** Payment of \$32,741.00 as Morgan Hill's Contribution to the Santa Clara County California Identification System Remote Access Network (CAL-ID RAN) Policy Board.

6. **ACCEPTANCE OF PUBLIC IMPROVEMENTS FOR MADRONE BUSINESS PARK – Resolution No. 5635**

Action: 1) **Adopted** Resolution No. 5635, Accepting the Public Improvements for Madrone Business Park; and 2) **Directed** the City Clerk to File a Notice of Completion with the County Recorder's Office.

7. **ACCEPTANCE OF COSMO/MONTEREY SANITARY SEWER REPLACEMENT PROJECT**

Action: 1) **Accepted** as Complete the Cosmo/Monterey Sanitary Sewer Replacement Project in the Final Amount of \$653,250.11; and 2) **Directed** the City Clerk to file a Notice of Completion with the County Recorder's Office.

8. **ACCEPTANCE OF SLURRY SEAL AND ROADWAY REPAIR PROJECT**

Action: 1) **Accepted** as Complete the Slurry Seal and Roadway Repair Project in the Final Amount of \$254,950.00; and 2) **Directed** the City Clerk to file a Notice of Completion with the County Recorder's Office.

9. **AMEND PROFESSIONAL SERVICES AGREEMENT FOR APPRAISAL SERVICES FOR HULBERG & ASSOCIATES FOR TENNANT AVENUE WIDENING**

Action: 1) **Approved** Additional Scope of Work for Hulberg & Associates in the Amount of \$7,500.00; and 2) **Authorized** the City Manager to Execute a Second Amendment to the Existing

Professional Services Agreement for Appraisal Services for the Tennant Avenue Widening Project. The Total Second Amended Professional Services Agreement Shall Not Exceed \$27,499.00.

10. **EMERGENCY AUTHORIZATION FOR STORM DRAIN REPAIR ALONG EAST DUNNE AVENUE, TRAIL DRIVE, WOODLAND AVENUE, AND DIANA COURT – Resolution No. 5636**

Action: 1) **Adopted** Resolution No. 5636, Declaring the Need for This Emergency Expenditure; and 2) **Approved** the Expenditure of \$25,000.00 from the 2002-2003 Pubic Works – Streets Division Operating Budget to Fund an Emergency Storm Drain System Repair on Dunne, Trail, and Rolling Hills Drive at Woodland Avenue, and Diana Court.

11. **PAYMENT OF OPEN SPACE IN LIEU FEE FOR THE OAK CREEK AND CENTRAL PARK DEVELOPMENTS**

Action: **Approved** Request to Pay an Open Space Fee in Lieu of Each Transfer Development Credit (TDC) Commitment for the Oak Creek Development and the Central Park Development Phases 2 Through 4.

City Council and Redevelopment Agency Action

Action: On a motion by Council/Agency Member Tate and seconded by Council/Agency Member Sellers, the Council/Agency Board unanimously (5-0) **Approved** Consent Calendar Item 12, as follows:

12. **JOINT SPECIAL AND REGULAR REDEVELOPMENT AGENCY AND SPECIAL CITY COUNCIL MEETING MINUTES OF JANUARY 22, 2003**

Action: **Approved** the Minutes as written.

City Council and Redevelopment Agency Action

PUBLIC HEARINGS:

13. **PUBLIC HEARING REGARDING WATER RATES – Resolution No. 5638**

Director of Finance Dilles presented the staff report. At the request of Council Member Sellers, Mr. Dilles explained that the alternative 8% rate increase would raise more revenue earlier and that it would be a bigger hit on the rate payers. As it would raise more money earlier in the process, the number happens to be smaller. The effect of the 2% at the end would be much smaller than the 2% of the 8% if it were done as a one time rate increase.

Mayor Kennedy opened the public hearing.

Wes Rolley stated that he in reviewing the water rate information, he found one thing that disturbs him; that being that out of a \$6 million budget, the City is spending only \$13,000 on water conservation programs. This is less than $\frac{1}{4}$ of 1% of the total budget being spent on water conservation. He stated his support of the rate increase, particular by the method that steps the rates up by 2% per year as this gives an opportunity to stop the process. It was his belief that increased emphases on water conservation would be important in holding the water rates down. He felt that this was something that the Council should be looking into. He suggested that other conservations measures be undertaken besides the water conservation measures being recommended by the Water District such as: 1) increasing rates for high water users that are non agricultural such as private recreational swimming pools; 2) establish a pilot program and perform further investigation on the use of gray water for lawn watering in residential areas. He felt that this is an issue that has not been given focus to and yet, the State has official guidelines for using gray water safely. He felt that a gray water use program could be implemented that would lower everyone's water use. At the same time, it would have a reduction on the amount of material that would go through the sewer, impacting the longevity of the current sewer system.

No further comments being offered, the public hearing was closed.

Council Member Sellers stated that he appreciated Mr. Rolley's comments. He indicated that the Council has received several presentations and has held several meeting, including a broader public discussion a few weeks ago. He felt that the items raised by Mr. Rolley were unique and have not been discussed directly before. He stated that the City ties in with the Water District as far as water conservation is concerned and felt that there is always more that can be done. He noted that the City has a scaled rate implemented where water users pay based on the amount of water used. Regarding the recommendation on gray water use, he felt that this recommendation would be worth pursuing. He stated that he read the other night that the City of Redwood City tried to pursue this recommendation and that it had a significant protest from neighbors who were concerned about runoff even though it had been proven that there were no deleterious effects on their properties or long term effects. He felt that Mr. Rolley's suggestion is worth pursuing but that it needs to be understood that there are realities and public perception that might make this more difficult to implement. He felt that Mr. Rolley's comments were well taken and recommended that the Council move forward with the item this evening.

Council Member Tate said that they way the recommendation is being put forward is that the Council would approve a 2% rate increase over a five year period with staff returning to the Council ever year to recommend the increase. He stated that he was not sure whether this was the best way to proceed or whether it would be preferable to state that the Council has to approve the 2% rate increase proactively every year rather than stating that it pre approved a five year 2% rate increase.

Council Member Sellers said that if the Council does not provide a five year projection, it would be difficult for budgetary and planning purposes.

Mayor Kennedy recommended that the Council approve the five year 2% increases but that each year, staff is to present the Council with a report. This would afford the Council the opportunity to change

direction. He stated that he was supportive of the resolution before the Council. He inquired whether the City has conservation programs in place that allows for low flow toilets and low use water fixtures?

Director of Finance Dilles responded that the City encourages conservation by requiring the installation of low flow toilets for residential remodels as well as for new construction. He said that credit should be given to developers for the installation of recirculating hot water systems.

Mayor Kennedy inquired whether there was a sense on how effective these programs are? He inquired whether increased water conservation participation would occur if the City increased its contribution toward conservation?

Assistant to the City Manager Eulo said that every toilet that can be purchased are ultra low flow. He stated that there is no longer a rebate program or any program at this level that would encourage individuals to buy these kinds of toilets. He said that every time there is a remodel and you change your toilet, one has to purchase an ultra low flow toilet. When an individual starts water service with the City, they are offered a package of literature as well as aerators and shower heads if they are desired. He said that in the past, the Water District gave toilets to encourage individuals to change their toilets who were not otherwise remodeling. He said that this program has not been repeated in recent years due to budgetary constraints.

Mayor Kennedy inquired as to the programs that could be implemented and their costs should the Council decide to increase its funding allocation for water conservation.

Director of Public Works Ashcraft said that the City spends \$13,000 toward water conservation. He said that this is not the only amount spent toward water conservation. He said that there is a \$6 million annual budget for water and that the City pays over \$1 million in pump tax to the Santa Clara Water District. One thing that the Water District does with the \$1 million is to have a large dedicated staff who addresses water conservation. The City cooperates with the Water District toward the \$13,000 and implements water conservation measures in the City. He stated that the Water District will visit businesses and residences and perform a free water audit to determine if one can save water by implementing a variety of measures. He felt that the Water District can produce materials and has a more cost effective water conservation program than the City can provide.

City Manager Tewes said that staff can evaluate other water conservation options in the course of preparing next year's budget and return to the Council with these options at budget time.

Mayor Kennedy said that the City, in some of its new public facilities, is requiring green building standards that include the use of gray water. He said that the City is looking toward conservation with the implementation of green building standards. He recommended that the City insists that the Santa Clara County courthouse public building use the same standards when it is designed and built. He felt that the City can take the lead in the use of gray water and green building standards.

Council Member Sellers noted that section 3 of the resolution states that “The Finance Director’s report shall analyze whether the January 1 increase is necessary.” He said that the Finance Director has to make a case for increasing the water rates in a given year.

Council Member Tate stated that by adopting the resolution, the Council is approving five contiguous increases. He felt that the Council should approve the rate increase one year at a time. However, he would support the motion.

Council Member Carr inquired whether public hearings would be necessary should the Council support Council Member Tate’s recommendation that staff return each year with a 2% rate increase or whether staff could simply bring back to the Council the issue of the rate increase?

City Attorney Leichter indicated that Council Member Tate is requesting that the Council approve the fee increase on a year by year basis.

Council Member Tate clarified that he is suggesting that the Council revalidate each year the 2% rate increase.

City Attorney Leichter indicated that revalidation would require going through the entire process, including public hearings.

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Chang, the Council unanimously (5-0) **Adopted** Resolution No. 5638, Implementing Adjustments to Water User Rates.*

14. RESOLUTION AUTHORIZING THE SANTA CLARA COUNTY FIRE MARSHAL TO ABATE WEEDS – Resolution No. 5639

Assistant to the City Manager Dilles presented the staff report. She said that last year, the City was aware that there were a number of concerns about communication with property owners and that staff had concerns about the administration of the program. She indicated that staff has been working closely with the Fire Marshal’s office to see if there were ways to further streamline the program. She said that the City has not adopted a policy on how to handle requests by property owners to remove their properties from the program. Typically, once a parcel is placed on the program, it remains on the program for three years. This gives the Fire Marshal an opportunity to work with the property owner to make sure that they are aware of their responsibilities on maintaining property to avoid being placed on the program in the future. She said that typically, after the three year period is up, the property owner continues to perform abatement on their own or they continue on the program and prefer that the County perform the abatement on an on going basis. However, it has been a difficult process when a property owner does not believe that being on the program is appropriate. These individuals attend the public hearing and request removal from the program. She proposed a couple of policy options that the Council may wish to consider should the Council wish to handle requests differently in the future, providing staff with direction on how this might be handled in the future. Without a policy in place, she felt that it

would be appropriate to open the public hearing and entertain comments about properties that are on the list this year. The Council can then discuss the options developed at this time for policy implementation in the future.

Mayor Kennedy opened the public hearing.

Yvonne Fields stated that she was not supportive of weeds, yet, she is on the Fire Marshal's list. She said that a person from the fire department visited her property in early April 2002. He found the grass to be abundant and green. She stated that she has lived on Thomas Grade since 1965 and that she has never failed to abate weeds by the time the grass dries enough to burn. She stated that she lives on a very steep slope and that she depends on the grass for erosion control. She indicated that she received a letter stating that she has to have all vegetation removed by March 1, noting that it will still be raining. She requested that the time frame be adjusted as this is a hardship for those who reside on very steep slopes.

Jim Darnhire, 16890 Oak Leaf Drive, stated that he was offended by the tone of the letter received and with the authority that it gives the Fire Marshal inspectors as early as March to exercise unilateral confiscatory power. He stated that he intends to prevent fire hazards on his property and that he has done so for the past 20 years. He said that fire hazards do not exist in February when he is being requested to mow his lawn. He said that he has experienced the worse flooding occurring the month of March. He said that it is not clear whether he needs a bare earth policy over his entire lot that is on a slope or whether he has to mow down to six inches. It was his belief that he was placed on the abatement plan based on an inspection conducted last year in March or April when things were still green and tall wild oats were higher than six inches. He did not believe that a fire hazard exists at this point in time. Further, he did not believe that the inspection was appropriate at the time. He indicated that he normally cuts his lawn in late April or May, as time and weather permits. He found the March deadline to be offensive. He recommended that the inspections be conducted when fire hazards are tangible. He felt that most responsible individuals would have cleared their properties and inspections would be less intensive. Further, individuals who are not in compliance with the inspection criteria should be given the opportunity to understand and abate inadequacies.

No further comments being offered, the public hearing was closed.

Ms. Diles indicated that the Fire Marshal's office reviews the letter sent to property owners each year. She said that there is a tremendous amount of information that they are attempting to convey to property owners. In terms of the tone of the letter, she understood that it could be interpreted to be offensive because it is requiring that the property be maintained in a certain way per state law. She said that this was not the intent of the letter and that staff and the Fire Marshal's office is working together to ensure that this is not the case. In terms of the timing of the inspection, she deferred the response to the representative from the Fire Marshal's office.

Assistant County Fire Marshall Judy Saunders stated that it has been found that it is not the letter, per se, that individuals find offensive, but that the language contained in the legal notice. She said that the

notice to destroy weeds and the notice of the public hearing process is language mandated by the Health and Safety Code and contained in the City's Municipal Code. In speaking to the deadlines, she said that this is something that is frequently raised by property owners. She said that it is difficult to deal with, especially when you look at a community like Morgan Hill. She said that it is even worse in some areas where you have different types of terrains. She said that Morgan Hill has some low lying areas that flood and some areas in the hillside that stay wetter later in the year. She stated that the Fire Marshal's office encourages individuals to contact her office if they are not able to meet to the deadline or if they do not believe that it is reasonable in relation to their property. She said that the Fire Marshal's office will conduct a site visit and work with property owners to make sure that they understand what the requirements are. The Fire Marshal's office feels the same way as those who spoke this evening that the deadlines are too soon. However, there is a large part of the community that believes that abatement is not occurring soon enough. There are approximately 5,000 parcels that need to be inspected, with inspections taking place 2-3 times for every season. She said that the entire process is driven by the tax roll deadline of August 1. Therefore, the entire program backs up from the August 1 date. She stated that she needs to have the abatement completed by the end June as a target date in order to present the list to the City Councils and go through the hearing process in time to get the information to the tax collectors office to make the tax roll. She said that she has tried to adjust some of the deadlines for Saratoga and Los Gatos that are all hillside areas. She noted that the majority of the Morgan Hill community is down on the flat lands where it is dry enough to start the abatement sooner. The other thing that the Council needs to take into consideration is technically, on average, the fire season starts May 15 and that this season varies every year. She said that the Fire Marshal's office tries to get the abatement completed as early as possible for this reason as well.

Mayor Kennedy noted that it was mentioned that some of the other communities conduct abatement at a later date because they are hillside areas. He inquired if it was possible for the Fire Marshal's office to conduct Morgan Hill's abatements at a later date as well?

Ms. Saunders responded that the problem would be identifying the parcels located in the hillside as she does not have the ability to identify hillside properties through the assessor's data base.

Council Member Sellers felt that City staff could assist the Fire Marshal's office to identify hillside areas.

Ms. Saunders indicated that the Fire Marshal's office has a hazardous fire area and that this would be one way to delineate this line. This was not pursued in other communities because of the staff time that would be needed to identify these parcels. She said that the Fire Marshal's office tries to keep its cost down for property owners.

Mayor Kennedy said that it was his belief that the vast majority of the property owners on the list are located on the hillside. He felt that it would make sense to have Morgan Hill follow the weed abatement schedule of Saratoga and Los Gatos.

Ms. Saunders indicated that abatement for the cities of Saratoga and Los Gatos is April 1. She indicated that the Fire Marshal's office serves the entire Santa Clara County. If all cities were to move their deadlines, it would create a problem. She said that Palo Alto and Los Altos Hills are scheduled for April 30 because of the moratorium on grading. She said that she would be happy to take a look at Council Member Sellers suggestion that her office work with staff in identify hillside areas.

Council Member Carr stated that his preference would be to move Morgan Hill's date back. He noted that the majority of the addresses on the abatement list are located on hillsides. Therefore, he felt that Morgan Hill was like other hillside communities. If the Fire Marshal's office cannot move back the date, he inquired if the notice could state that for properties located on the hillside who cannot abate weeds by the identified deadline, they have a 4-6 month reprieve. However, the property owners would need to contact the Fire Marshal's office to obtain the reprieve.

Ms. Saunders responded that she could work with staff to study Council Member Carr's suggestion.

Council Member Tate stated that his preference would be to move the deadline to April 1. He did not know why Los Altos would have precedence over Morgan Hill, noting that Los Altos has a lot of flat land.

Ms. Saunders said that Morgan Hill has different exposures and different types of vegetation and that Morgan Hill dries out sooner than the northern part of the county.

Mayor Kennedy requested the Fire Marshal's office review if the suggestions made this evening to see if there was a way to accommodate the concerns that have been raised.

Council Member Sellers inquired whether the suggestions raised this evening could be incorporated this evening or whether the item should be continued to allow staff to incorporate the suggestions?

Ms. Diles noted that neither of the property owners in attendance specifically requested to be removed from the list. She said that the Council could move forward with the adoption of the resolution. She stated that staff has a revised list that she needs to provide the Council as there is one property owner who has two parcels that were due to be removed from the program. These two properties can be removed as part of the action to be taken this evening. She said that the suggestions for working with the Fire Marshal's office on the language and the timing of abatement can be done independently of the action on the resolution.

Council Member Sellers thanked staff for making the language better from past years letters. He said that it sounds like the City will work toward moving the date back, particularly for properties on the hillside. Therefore, he would support adoption of the resolution this evening.

Mayor Kennedy felt that the letter sent to property owners appears to be authoritarian and that he understood the concerns that the letter would generate. He said that it would be helpful if the Fire Marshal's office indicate that abatement is pursuant to the Health and Safety Code.

Action: *On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Adopted** Resolution No. 5639, Authorizing the Santa Clara County Fire Marshal to Abate Weeds.*

Ms. Dile indicated that staff has some options for Council consideration on how to handle individual requests to be removed from the abatement list.

Council Member Sellers stated that he was comfortable with keeping option 1 as recommended by staff. He felt that the Council may have removed a lot of the properties that needed to be removed from the list. Therefore, he recommended that the City stick with the status quo at this point, understanding that the Council needs to review the issue every year. If it becomes a problem again, the Council can look at changing the policy at that point in time.

Redevelopment Agency Action

OTHER BUSINESS:

15. PRELIMINARY FINANCIAL ANALYSIS FOR THE MORGAN HILL AQUATIC COMPLEX

Recreation and Community Services Division Manager Spier presented the staff report. She indicated that the schematic design proposes a shallow end for the 50-meter competition pool. She said that a bid alternate to be considered this evening is to proceed with a 2 meter or 7 foot depth, replacing the shallow end with a hydraulic movable floor.

Chairman Kennedy said that the idea of a removable bottom floor with a seven foot depth came out of a previous phone conversation with Lauren Livingston. Senior Project Manager Jim Dumas took a preliminary look at this option and that it was found that it would be cost prohibitive. Also, there would be potential problems with the mechanical operation. He said that the idea of a moveable bottom would be too expensive and too time consuming to pursue, therefore, this option should be eliminated. He felt that a 7-foot minimum depth may be a better alternative to be considered and would not take additional time or cost to include.

Lauren Livingston, Sports Management Group, presented a power point presentation on the report prepared, including a financial analysis based on a city-operated facility. She said that she made a set of assumptions that the recreation pool, the spray ground and the instructional pool would be operated for 16 weeks. She addressed operating costs, planning and fee assumptions, including scholarships and sliding scale fees. She reviewed different options and cost recovery potentials associated with a 9 month and 12 month operation. Also, considered were possible revenue enhancements (e.g., use of second slide, and/or additional 2 lap lanes).

Vice-chair Chang noted that the report states that the average subsidy for 9 months of operation is \$154,000. She inquired whether there was a 6-month or 7-month operation with a break even scenario?

Ms. Livingston said that it is the recreational areas that generates revenues and that the subsidy is attributable to having a larger body of water. She estimated that with about six months of operation of the competitive pool, the City would probably break even and would result in a savings of approximately \$110,000 as a best estimate.

Chairman Kennedy said that it was important that there is a fall back or contingency plan to make sure that the City is not placed at risk. He felt that the City could operate the facility at a point where it will, at a minimum, break even facility. He said that the key months are the four summer months that the facility could make the most money.

Vice-chair Chang inquired whether the recreational pool, if converted into an indoor pool, would be a year long operation and make money?

Ms. Livingston did not believe that an indoor pool would have enough of the attraction when you couple it with the types of features would be included within the indoor recreation center. As a stand alone facility, she did not believe that the City would anticipate cost recovery. She indicated that indoor pools are very expensive and would be a losing proposition for the City.

Agency Member Tate noted that cost recovery would occur in the third year. He could not locate the start up costs referred to for the first and second year.

Ms. Livingston said that the start up costs were not included in the report. She said that it would be expected for the City to achieve cost recovery by the end of the second year of operation. In the first year, she would expect to see the city closer to the low end of the projections as the programs are not yet established and that the activities are not known to the community. Therefore, the participation numbers may be at the low end of the range for the first year. She said that there is a newness factor that takes place that could alter this. The City could get a lot of people interested in visiting the aquatics complex.

Agency Member Tate wanted to understand the absolute dollars that would have to be spent to start up the aquatics center.

Ms. Speir referred to page 26 of the staff report. She stated that the Sports Management Group suggests a cost recovery potential for a 9-month operational facility. She said that the worse case scenario would be an annual subsidy of \$256,500 in the first year. By year three, the complex is up and running and things are going well, resulting in approximately \$154,000 in subsidies. She felt that in year two, the subsidy figure would be between \$154,000 and \$256,500. She clarified that this was a 9-month scenario. Leaving the facility open year round, closing the recreation components and leaving the competition pool would result in a subsidy of approximately \$388,000 the first year.

Vice-chair Chang inquired as to the start up costs for the first couple of years?

Ms. Livingston said that she is suggesting that there is \$110,000 to \$120,000 savings for the additional three months. This means that the City would be at \$140,000-150,000 at the low end in start up costs.

At the request of Agency Member Carr, Ms. Livingston addressed the difference between the all deep water 50-meter pool and the 50-meter pool with a shallow end. She said that typically, you have to provide some 3'6" water depth in order to avoid a designation by the Health Department that it is a special use pool. The special use pool would limit the use of the pool so that it could not be used for recreational purposes or informal lap swimming. She said that special use pools would be designated as competitive pools or a single use pool. The user would need to designate what the single use would be. She said that incorporating the amount of shallow water that is currently planned would avoid this kind of designation and does not make the pool any more suitable for the activities that require individuals to be able to stand in water that is chest deep. If the City were to approve a 7-foot depth, it would have no impact on the classes that could be offered in the pool. If it were the case that in doing so would change the designation to a single use, there would be a problematic and a financial impact because the city would lose the opportunity to use the pool for recreational use. She estimated that the loss would be between \$30,000-40,000 in revenue. She attributes the revenue loss primarily to the older youth using the pool. She said that there is very little revenue impact that can be attributed to the opportunity to do more special events such as water polo tournaments.

Agency Member Tate noted that the bottom line for maximum revenue would be the inclusion of a shallow end.

Ms. Livingston stated that her recommendation regarding the addition of the lap lanes into the other pool, should the Agency chose to go deep with this pool, was to try to help capture some of the revenue that would be lost. She noted that it would capture just a small portion of revenue.

Agency Member Carr inquired whether the cost recovery scenario assumes the 50-meter pool is at a minimum 7-foot depth?

Ms. Livingston responded that it assumes that the pool does not have a shallow water area for classes at 4'6". As designed, there is not sufficient shallow water to conduct classes. It does assume that it is not a single use or special use pool. She said that the L-shape pool design helps the City meet this requirement. If the 50-meter pool was designed to become a special use pool, the City would see an impact of \$30,000-\$40,000 in loss revenue.

Chairman Kennedy said that as currently designed, the shallow end of the 50-meter pool is 4'6" in depth. As currently laid out, he did not believe that it was a special use pool because it does have a small narrow end included.

Vice-chair Chang stated that she was trying to figure out the least expensive way to proceed. If the City approves the L-shaped design, would the City need two additional lap lanes?

Ms. Livingston indicated that the addition of two lap lanes would enhance the City's revenues as more instructional programs could be conducted. It was her belief that the City would have the demand for instructional programs. Also, the City could conduct exercise classes, noting that more individuals can be served in an exercise class with the additional 2-lanes. She indicated that Jim Dumas has been

advised by the County Health Official that even though the pool is all deep that they he would not classify the 50-meter pool as a special use pool.

Chairman Kennedy opened the floor to public comment.

Mark Grzan said that at a recent Agency meeting, the Agency indicated that the reason that it is building an aquatics center is for competition. He disagreed with this statement. He stated that the purpose of the aquatics center is to serve the 35,000 residents of the community. He felt that the primary goal should be to teach children how to swim and instill the benefits of lifelong aquatic activities, including water safety. The other purpose is to provide healthy, invigorating and fun activities for young and older adults such as lap swimming, exercise and other programs that promote all the social aspects that surround this and other similarly related water recreational activities. He expressed concern that the resources have been wrangled away from the competitive wants at the expense of the community's recreational needs. He said that what started out to be an aquatics center for Morgan Hill has grown into a regional center at a cost of \$12.5 million, growing to \$18 million. He felt that this far and exceeded anything he envisioned in 1995. He felt that the community, as a whole, has greater needs and rights to programs and funding, noting that a few individuals can play competitive water polo. The size of the center and the features to be incorporated exceeds the community needs. He felt that the City would have difficulty in financially supporting the aquatics center, resulting in a deficit of \$300,000. He noted that this does not include capital maintenance costs or ancillary support services for police, fire, public works, and city hall. He said that the study states that the City must advertise aggressively and market the regional aspect of the center, attracting individuals from Prunedale, Watsonville, Hollister, and San Jose. He felt that Gilroy would appreciate the aquatics center as the City is building a swim center for them and that they did not contribute to the project. If the City has to market to other cities, he questioned why the City is building at all. He felt that the City should have approached surrounding cities and built a regional center with others sharing the cost. He noted that the City recently approved million dollars for this project. He was afraid that the City would be taking money away from other needed projects. He stated that he was interested in projects that serve this community and this community alone. He felt that the City has some tough decisions to make financially. He said that reality would have the City build the facility at a scale for this community alone to meet its recreational needs first and foremost; planning for future growth as needed.

Senior Project Manager Dumas clarified that when he spoke to the Health Department, it was stated that a special use is defined on how the City uses the pool. The County Health official stated that the use would depend on how the City ends up using the pool and that the use of the pool would dictate whether it is considered a special use or not. He felt that the real issue is the revenue generation of the pool and not whether it is called a special use or not.

No further comments were offered.

Chairman Kennedy felt the City needs to move forward with the project and that it was important that the project stays on schedule. This will allow the City to maximize revenue generating potentials in the summer months of 2004. This will help ensure that the City starts off with good revenue generating

potentials. With respect to the comment relating to local use versus regional use, he felt that this clearly provides a wonderful opportunity for local swimmers. He indicated that many swimmers have to drive to other cities to find adequate facilities. In order to make sure that it is a revenue generating facility, the City has to open up the facility for regional use to help offset the operating cost as was done with the Community and Cultural Center. The fact that the Gavilan College satellite campus is a part of the community center has helped with the revenue generating capabilities. Making this facility one that attracts from the region will provide a revenue generating potential. He recommended that the Agency proceed with the action items as listed on the agenda.

Agency Member Tate stated that he wants this facility as much as anyone else. However, he felt that the City was at high risk at not completing this project by Memorial Day 2004, resulting in losing \$¼ million sooner, at a time when the City is facing a budget problem. He recommended that the project be postponed for at least one year. He likes the plan and supported looking at how the facility could best serve the community. Having a shallow end would allow the pool to be used for more purposes, including classes. He did not agree with the fast tract that has been identified for this project based on the current budget situation and given the risk that the City places itself in. He stated that he is not supportive of making this the top priority project. He recommended that the Agency proceed in a more cautious and conservative approach.

Vice-chair Chang inquired whether there was an alternative such as partnering with another entity for the operation of the project?

Executive Director Tewes said that last year, staff asked potential operators of the facility to advise of their interests in operating the aquatics center and under what circumstances they might be interested (e.g., lease, management contract, partnership, etc.). Staff received responses from three potential operators of the facility. Now, the City is on a fast track for construction. The Agency will be making decisions about the operating plan a little later than original thought. The Agency was presented with a "worse case" scenario this evening. He said that staff would be evaluating the scenarios with the Council subcommittee, noting that the subcommittee would be returning with recommendations at a subsequent meeting. What is missing is having the opportunity of holding conversations with the operators on how it can design the facility differently, noting that the design is fixed.

Agency Member Carr said that although serving the local community would be a priority, the Agency always contemplated a regional draw for the aquatics center. He said that staff and the Council subcommittee will evaluate other options. The Agency has stated all along that the projects in the Redevelopment Agency need to try and pay for themselves as much as possible. It was his belief that in this project, the Agency always anticipated a subsidy from the onset and that the 50- meter pool was always a part of the discussion. The recreation components are all the pieces that will help the City get closer to breaking even and cost recovery. Although he understood Agency Member Tate's point about the trade offs of what the cost will be for the City, he stated that he was willing to delay some projects based on other decisions that will be made on the budget. He noted that the Agency has not made decisions on the budget and that he was not sure whether the Agency has to make a decision this evening. He recommended that the Agency stay on the schedule that was established for the aquatics

center because the Agency has other options down the road that it could hold the project back, should the Agency decide that a \$200,000 hit to the general fund in 2004 is one that it is not willing to take. Another alternative would be cutting back on the pool hours, limiting the hours of operation to the general fund as well. He stated that he was comfortable in moving forward this evening. He felt that it was important for the Agency to provide direction on the depth of the 50-meter pool. Based on what was stated by Mr. Dumas, it appears that there is not a negative side to making the depth at 7-feet and that it would not be designated as a special use pool.

Executive Director Tewes stated that the aquatics subcommittee has recommended this as a bid alternative and that the subcommittee asked Mr. Dumas to check with the architect to determine implications to the schedule.

Chairman Kennedy said that he requested that the Agency look at a bid alternate with a movable floor, noting that this alternative would delay the schedule. He inquired whether a bid alternate with a 7-foot depth would delay the project.

Mr. Dumas did not believe that having the 50-meter pool to a 7-foot depth would impact the schedule or budget as much as the other two bid alternatives of a moveable bottom or increasing the length of the 50 meter pool with a moveable bulk head. He indicated that the additional water slide and two lap lanes are included in the pool package.

Chairman Kennedy said that he spoke with the Executive Director regarding some of the options for operation. It was his understanding that staff received three responses to request for information. It was his understanding that the Morgan Hill Aquatics Foundation believes that they can operate the facility at no cost to the City. There is another vendor who has indicated that if the facility was designed more as a recreational facility with larger water slides like the Raging Water facility, they would guarantee that they would make money. He did not believe that this is what the community wants, noting that this type of facility was opposed by some of the residents when a water slide was proposed close to Dunne Avenue, between Condit Road and Murphy Avenue. It was his belief that there are potential operators who can operate this facility. The facility can easily be made into a money making proposition where it is a small Raging Water recreational facility. Another option is to have the Morgan Hill Aquatics Foundation initially operate the facility. He inquired whether the City could work with the potential operators while the City is working on the design?

Mr. Dumas informed the Agency Board that staff has begun the process of looking at pool subcontractors. He said that the pool package will be received next week from the architects. Staff will use this pool package to interview pool subcontractors, noting that the actual bid occurs in early March. Staff will start pre interviewing and pre qualifying the pool subcontractors.

Vice-chair Chang said that she would recommend use of the park maintenance funds for the aquatics center, providing that the Governor does not take away the vehicle license fees. She stated that she was having a difficult time investing \$13 million to an operation that can only be used for six months out of the year. She recommended that the City not bid the swimming pool for a month.

Chairman Kennedy stated that delaying the bid timeline would result in the City missing the money-making-season of the year.

Agency Member Tate felt that the City would be losing \$254,000 the first year if the facility is operated for only for a few months.

Agency Member Sellers felt that it made sense to have the 50-meter pool at a 7-foot depth all the way across. He said that the aquatics facility would be a benefit to the community with options that can be enjoyed. He previously stated that if the project could be kept on track, opening the facility in early summer 2004, he would continue to support the center. He noted that the City still needs to discuss the budget and that if the funds cannot be found for the project, the City needs to pull the project. If the City cannot open the facility until mid to late summer, he felt that it should be opened the following summer, delaying the project for another year. He stated that this is a community facility and a community pool and that it will serve the needs of the community first and foremost. He did not believe that the City was doing anything wrong by subsidizing this community facility. Earlier, the Agency viewed the chart that showed how much the City spends toward recreation versus other communities. He said that this community has more young children per household than any city in the county and yet the City spends virtually nothing compared to other cities. He said that one of the reasons he ran for office was to enhance recreational activities. Therefore, he did not believe that the aquatics center was losing money. Long term, he felt that the City needs to balance the budget and keep within the budget. Since the on set, it was his belief that recreational activities were an appropriate expenditure of general fund revenues just as police, fire and other services. He was pessimistic about the City being able to recover a tremendous amount in the first couple of years, but that he was willing to work hard to minimize the amount that will be spent next summer and complete the project. If anything is done in the interim that would throw the project off schedule, he felt that the Agency needs to reconsider the project.

Agency Member Tate said that he heard Ms. Livingston state that the City could make more money by having the pool come down to a 4.5 foot depth at one end. Also, Ms. Livingston indicated that having the 7 foot depth all the way around would not bring in more tournaments and/or competitive swimming to the community. If left at a 7-foot depth, he did not believe that the City would be increasing demand, serving the community or the regional draw. He felt that it would be better to have a shallow end even if he does not like it from a competitive stand point.

Chairman Kennedy stated that it has been his understanding, from aquatics advocates, that the 7-foot depth would allow the pool to be used by competitive swimmers in order to host national swim events. Also, at this depth, regional water polo tournaments can take place which would be another revenue generating capability.

Agency Member Sellers concurred that the City would not necessarily generate additional revenue directly through the aquatics center. However, he felt that there would be indirect revenue in hosting larger events and would allow additional uses of the center. He said that the City is looking at the indoor recreational center in having the additional capacity to allow the kinds of programs and classes

that would be better held in the indoor recreation center. He said that in the long term flexibility should be incorporated in the design.

Agency Member Carr said that he could see both sides on this issue. He understands that the 4'6" depth would allow classes to take place. However, he did not believe that it makes sense to disqualify the pool from a certain level of competition by having a shallow depth and felt that it would negate both ends of the spectrum. By considering the depth at 7 feet, there would be a certain classification of tournaments and swimming that the pool would become eligible for. Therefore, the opportunity to host more events would be greater for the City. He did not believe that having a 7 foot deep pool would limit the City's ability of holding classes.

Chairman Kennedy indicated that the aquatics committee spoke with the Morgan Hill Aquatics Foundation who had a series of recommendation. He stated that very little of the Foundation's recommendations were incorporated in Ms. Livingston's number. He said that their numbers are much more positive relating to direct and secondary benefits associated with a deep pool. He felt that the numbers before the Agency are conservative and that the numbers provided by the Foundation are overly optimistic. However, these numbers would give the Agency a range of numbers to study.

Action: *On a motion by Agency Member Carr and seconded by Agency Member Sellers, the Agency Board unanimously (5-0) **Received** the Preliminary Financial Analysis Report as Prepared by The Sports Management Group and Reviewed by the Council Sub-Committee.*

Action: *On a motion by Agency Member Carr and seconded by Agency Member Sellers, the Agency Board unanimously (5-0) **Approved** Adding a Bid Alternate of Building the 50 Meter Pool at a Minimum Depth of 2 Meters (7 feet).*

Action: *On a motion by Agency Member Carr and seconded by Agency Member Sellers, the Agency Board, on a 4-1 vote with Agency Member Tate voting no, **Reaffirmed** that the aquatics complex is to continue to proceed on the schedule that has been previously presented.*

Agency Member Carr stated that he supported reaffirmation of the schedule. He said that as the City looks more at budget issues, the Agency may want to change its decision. He stated that he wanted to reserve his right to change his decision.

Agency Member Chang said that her vote was based on the budget projection was presented as of today (e.g., 3% sales tax growth and the Governor does not take away the vehicle license fee. She said that she would support using the parks maintenance fund to assist the project.

City Council Action

OTHER BUSINESS:

16. ADOPT RESOLUTION OF NECESSITY FOR PROPERTY ACQUISITION FOR PROPOSED BUTTERFIELD EXTENSION, PHASE IV – Resolution No. 5637

Director of Public Works Ashcraft presented the staff report.

Mayor Kennedy opened the floor to public comment. No comments were offered.

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Adopted** Resolution of Necessity No. 5637, for Portion of Property Identified as APN 817-059-006 for the Proposed Butterfield Boulevard–Phase IV Improvements Project.*

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Approved** the Expenditure of \$8,350.00, Plus Escrow and Closing Costs, for the Acquisition of a Portion of Property Identified as APN 817-059-006 for the Proposed Butterfield Boulevard–Phase IV Improvements Project.*

17. SUBSEQUENT DEVELOPMENT REIMBURSEMENT AGREEMENT WITH MR. ANTHONY O. ALOSI FOR TRACT 8736

Mayor Pro Tempore Chang recused herself and stepped out of the Council Chambers due to a potential conflict of interest.

Director of Public Works Ashcraft presented the staff report.

Mayor Kennedy opened the floor to public comment. No comments were offered.

Action: *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council unanimously (5-0) **Approved** Subsequent Development Reimbursement Agreement.*

Action: *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council unanimously (5-0) **Authorized** the City Manager to Execute the Agreement on Behalf of the City, Subject to Review by City Attorney.*

Mayor Pro Tempore Chang resumed her seat on the dais.

18. PROPOSAL FOR THE RENOVATION OF THE ISAACSON GRANARY

Director of Business Assistance and Housing Toy presented the staff report. He informed the Council that the Economic Development Committee (EDC) has met several times and has considered subsequent proposals for the Isaacson Granary site. Under the current proposal, Weston-Miles is requesting a loan of \$350,000 at 3% interest to be paid back in four years. He informed the Council that the EDC and staff is not prepared to make a recommendation at this time for several reasons: 1) The EDC would like to see a proposal that develops the entire site and not just the renovation of the Granary; 2) The EDC would like to have an open, competitive process for development in the downtown. 3) The EDC would like to avoid the first come, first serve approach for evaluating proposals for the downtown. 4) There are no current Council approved parameters by which to evaluate the Agency's risk and the level of investment for a project such as the one before the Council. 5) There is no criteria for which to evaluate the priority of this project in the downtown area. He indicated that Weston-Miles would need to resubmit their proposal as part of the RFP processing being discussed. Should the Council determine that this project is of the highest priority for the downtown area, it can direct staff to negotiate the business terms and parameters with Weston-Miles, or could direct the EDC to reconsider its position based on Council direction. Should the Council deem this proposal to be a high priority, he said that it would be of assistance to staff to gain some guidance regarding such parameters relating to the maximum level of assistance and terms of conditions, etc.

Mayor Kennedy opened the floor to public comment.

Leslie Miles stated that Weston-Miles started their small architectural firm in the downtown area in 1986. At that time, approximately 50% of the downtown was vacant and that they wanted to get involved and make the downtown a wonderful and exciting place to be and do business. Over the period of several years, she worked with the DRP to develop the downtown. In time, Weston-Miles outgrew its location. A piece of property was purchased and that it was designed to include their office, a bagel shop and hair salon. She indicated that they did not take advantage of Redevelopment funds, using their personal funds, other than receiving \$25,000 grant for undergrounding utilities. She said that the business is ready to expand once again as the facility is too small. She is looking at the Isaacson site as an opportunity to continue the mission of helping to develop the downtown into a dynamic and exciting place to be. She indicated that Mr. Isaacson is unable to subordinate the project. She felt that this is where a Redevelopment Agency can assist. She said that the granary building is a unique old building and has issues that banks look at as being a detriment. However, the task force indicates that they would like to see the granary preserved in its entirety and developed as a portion of the City's agrarian heritage in the downtown.

Ms. Miles indicated that it is proposed to have a temporary dayworker center in the main street side, indicating that this is an important element of the project. Ideally, it is hoped that the dayworker center can be developed into a more permanent solution at a better facility. She said that she is looking at this portion of the property being developed as 24 residential mixed use development. She indicated that she is currently working with a non profit developer from San Jose who would help incorporate a project with housing and a community center that could help the transition. She felt that a competitive process

is a good one. However, there is a problem caused by the existing flood zone that has impacted the entire downtown. She felt that it would be difficult to look at viable pieces of property that could actually participate in a competition. The City's current program for housing assistance is an excellent model for conducting business assistance as it is based on a first come first serve process and involves smaller amounts of money. She looked at different programs established in different communities for this type of loan program. She indicated that the City has been discussing how to implement the loan program for the past 15 years. She felt that this should be a program that rises out of a competition but should become a program that is a part of the general process of doing business in the City. What is being requested is a four year loan, with the hope of being repaid in two years. She noted that there are no Council approved parameters at this time. She said that the redevelopment agency was designed to assist in the elimination of blight, work in the downtown core of the redevelopment area, and to create a dynamic involvement that was created with the community center and the playhouse. She recommended that this dynamic energy be brought to the other side of Depot so that the whole area can create a synthesis where development can occur. She felt that the granary project would provide an impetus to the adjacent property similar to the development of the Skeels' project. She stated that it is intended that the project would meet the green building design standards.

Julian Mancias, Chairman of the Dayworker Committee, stated that it is the Committee's goal to establish a dayworker center as described in the Weston-Miles proposal. He stated his support of the funding being sought by Weston-Miles. He indicated that he is trying to negotiate with Mr. Isaacson and Weston-Miles for the use of the facility for a dayworker center, indicating that a lot of progress has been made and that he is close to reaching an agreement on the use. The Committee would like to use this site because it is feared that if the use is relocated to another site, it would result in non participation. The Committee fears that should Weston-Miles be unable to acquire the property, someone else may come in and purchase the property who may not be as generous with the dayworker center. It is felt that the community was supportive of this issue. He requested Council approval of the funding request by Weston-Miles Architects.

Charles Weston stated that the project has received Site and Architectural Review Board approval and that he has submitted a set of construction drawings to the building division, receiving comments back. He said that he design incorporates a dayworker center. He indicated that he has incorporated the green building design and that he hopes to have the first building in Morgan Hill to be green. He felt that it would take four years for a project to go through the implementation of an economic development strategy/development process and that he would have repaid the loan during this time period. He did not believe that approval of the loan would take away from the economic development program.

Council Member Tate said that the EDC spent a considerable amount of time looking at the best way to go about economic development in the downtown. He said that it would take approximately \$19.8 million to accommodate everything the Agency would like to do. He indicated that the EDC did not dislike the proposal but that the EDC did not know if this project would be the best possible project to help kick start the downtown. He noted that the Downtown Plan depicts Third and Monterey as the center of the downtown. A proposal has been submitted for an office building at the edge of the downtown and would clean up a blighted area. However, he felt that the loan proposal would place the

City at risk and would not provide curb and gutters that would spruce up Depot Street. The EDC discussed alternatives that would work better such as a competition suggested by the City Manager. He said that the EDC did not believe that it would take four years to implement the strategy. The EDC is looking at a quick turn around conceptual strategy, reducing the strategy to a few ideas to be evaluated by the Agency to get something going. He felt that the Agency needs to know the best way, from an economic development stand point, to invest economic dollars for the downtown. The EDC is looking at using some of the housing funds for a mixed use project. He noted that the Weston-Mile proposal has a future component of housing but not a current component. He said that the Weston-Miles proposal has been revised so that it is no longer a long term loan and that it is to be a completely repaid loan. He said that there are economic development parameters for assistance but not for the downtown. The existing parameters being used for economic development address how much recovery would be achieved in four years. It is not known how much recovery would occur in the downtown. By going out and going through the proposal process, it is felt that a lot more education would be attained on how the Agency would achieve its strategy. He said that the EDC was faced with a good proposal but not necessarily the best proposal for kick starting for the downtown plan as presented.

Council Member Carr said that the project is a good one as it would take care of a blighted area. However, the City does not have a criterion in place for which to evaluate the program based on limited funds and resources to help kick start economic development in the downtown. Therefore, it is being suggested that a competition be implemented. He stated that the EDC did not envision the strategy to take four years to implement. He said that the EDC is trying to define the strategy further in order to present it to the Agency sooner in order to get the process moving.

Mayor Kennedy stated that he was somewhat reluctant in supporting placing the request on the agenda as he knew the EDC was working on a strategy. However, in speaking with Mr. Weston about the project, he felt that it was important for the Agency to discuss the project because the reality of funding and timing was important. He said that there is a window of opportunity and that if you miss that window, you may lose the opportunity. He stated his support of the project because it is truly what Redevelopment Agencies are created for. He felt that a blighted area would be corrected and that Weston-Miles has a proven track, completing some of the most successful projects in the community. He felt that this proposal can keep the downtown progress moving and would be a low risk investment. What is being sought is a loan with a fairly quick return, allowing the funding to be recycled. He noted that a green building is being proposed and would afford assistance to the dayworker issue. He felt that there were a lot of positives associated with this project. He stated that he did not want to short circuit the work that the EDC is doing but felt that this proposal is an exception as they are ready to proceed. If the City does not allow them to move forward, the City would lose a good opportunity. He indicated that the Agency could ask staff to work with the EDC on a mechanism of support that would make sense, should the Agency support the project.

Council Member Sellers agreed that opportunities are far too rare. He expressed concern that if the City delays taking action on this project, it will not proceed and the City would miss an opportunity for redevelopment of the area. He said that the City has not determined the housing density and whether or not to lift Measure P requirements in the downtown. He felt that once the City does so, it would provide

the impetus of adding a housing component to the project. He noted that this would be a short term loan with funding being made available in 2-4 years that can be used for other projects. He recommended that this project be reviewed and approved by the Downtown Association. He said that he was struck with the parallels of this project to that of the Skeels hotel. He felt that the Skeels project, like this project, has significant community social benefits as well as the addition of economic development revenue. Also, a long term business development is proposed that would clean up a significant blighted area that would have otherwise remained in a deleterious condition for some time. This project would assist the dayworker project and would clean up the sight. He did not believe that this opportunity would be here six months to year if not approved at this time. He recommended that the Agency give the project consideration, with review and approval by the Downtown Association. He further recommended that the City try to expedite the turn around of the loan by providing incentives for it to be repaid sooner (minimal interest applied if paid sooner than four years).

Action: *Council Member Sellers made a motion, seconded by Mayor Kennedy, to: **Authorize** that the proposal be referred to the Downtown Association for review; and 2) **Directed** staff to return with a proposal for a tentative agreement with the project proponent that would provide incentives for a shorter term turn around for the repayment of the loan.*

Mayor Pro Tempore Chang said that she her reason to support the request differed from other Council Members. She stated her support of the dayworker project and would therefore support the motion.

Council Member Carr expressed concern about asking a group that is not an agency or part of the City to perform an analysis based on a criterion that has not been discussed/approved and that the City has no control over. He stated that he would have more comfort if the Council had already approved the downtown update plan and the City had a criteria that the Council was asking the Downtown Association to weigh the project against. Another important component of the proposal is the future development of the entire site. He said that the entire site is important to him, incorporating a housing component with the proposal and not become an after thought. He also has a concern about the dayworkers and the dayworkers center. He was not sure if this was enough of a motivating factor to move this proposal forward. He wanted to consider the request and whether this is the project that would kick start the downtown. He felt that the City was looking at a temporary band aide approach for the dayworker problem. He expressed with the risk. He did not know what the collateral would be against the loan. He said that it may appear to be a low risk because it would be a short term loan. He said that the City would be taking the risk, noting that the City has a limited amount of resources to apply toward economic development at this time.

Council Member Sellers stated that the Downtown Association is a group that is trying to improve the economic conditions of the downtown and might have some thoughts on the project.

City Manager Tewes felt that the threshold question was whether this project was sufficiently attractive to warrant public financial support. Based on comments, it appears that three Council members suggest that this is the case. He said that it is his understanding of the motion that it suggests that staff be directed to work with the applicant toward a program. He said that the second threshold question is how

much should the City participate. He said that it would be helpful if the motion indicated that the Council was willing to invest as much as \$350,000 based on the proposal presented this evening. He felt that the third aspect is the terms of the deal and what is the risk the City is assuming. He stated that it is often the case, in economic development, that private parties will negotiate for months between themselves with lots of back and forth discussions. The parties will submit a proposal to a public agency, stating that it has to be approved as submitted. He said that it would be preferable for staff to be involved as a problem solving partner and that staff should be working with the landowners as well to find a deal that would accomplish the public policy objectives as well as their objectives. He did not believe that the City should be placed in a position of accepting the proposal that has been made to the City. He felt that the City should have more flexibility to provide the kind of security that the public needs should the Council determine that the City would invest in the project in some fashion. It is his hope that the motion would encompass that staff would work with the applicants and the property owners to try to find the nature of the problem, using the City's \$350,000 to the greatest advantage.

Action: *Council Member Sellers/Mayor Kennedy **amended** their motion to stipulate that the loan is not to exceed \$350,000 and **directed** staff to do everything that it can to make the loan as secure and/or reduce the amount that is to be invested as possible.*

Council Member Tate noted that Weston-Miles are requesting a loan of \$350,000. He inquired about the infrastructure, undergrounding utilities, and curb and gutters, noting that they are looking at the City to install these infrastructures. He noted that the motion did not include the installation of the infrastructures.

Council Member Sellers indicated that the installation of the infrastructure is part of the negotiations. He stated that approval of a loan would need to come back to the Council for approval.

Vote: *The motion carried 3-2 with Council Members Chang, Sellers and Mayor Kennedy supporting the motion; Council Members Carr and Tate voting against the motion.*

19. ORDINANCE AMENDING SECTION 17.32.160 OF, AND ADDING SECTION 17.32.165 TO, THE MUNICIPAL CODE REGARDING REIMBURSEMENT AGREEMENTS FOR INSTALLATION OF PUBLIC IMPROVEMENTS – Ordinance No. 1604, New Series

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Waived** the First and Second Reading of Ordinance No. 1604, New Series.*

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council **Introduced** Ordinance No. 1604, New Series by Title Only, as follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING SECTION 17.32.160 (Improvement agreement – Preparation – Contents) AND ADDING SECTION 17.32.165 (Improvement agreement-Reimbursement Provisions) OF CHAPTER 17.32 (Improvements and*

Improvement Agreements) OF TITLE 17 (Subdivisions) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING REIMBURSEMENT AGREEMENTS WITH DEVELOPERS FOR PUBLIC IMPROVEMENTS *by the following roll call vote: AYES: Carr, Chang, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.*

20. URBAN LIMIT LINE (GREENBELT) STUDY: APPOINTMENT OF ADVISORY COMMITTEE INCLUDING SELECTION OF CITY COUNCIL MEMBERS AND DESIGNATION OF THE CHAIRPERSON

Community Development Director Bischoff presented the staff report. He indicated that procedural guidelines for new committees were distributed to the Council this evening. He indicated that staff will prepare summary minutes for the meetings of this group and that they would be routinely forwarded to the Council. In addition, staff is proposing at least three status reports be made to the full Council on the progress of the project. He said that it is anticipated that the project would be completed in 12 months.

Council Member Sellers indicated that the City has not had luck with alternatives because they have to attend the meeting and get frustrated because they are unable to provide input or that they do not attend and do not afford continuity. He inquired as to the thinking of appointing an alternate in this case?

Mr. Bischoff said that in committees of this size, it is a rare occasion that everyone is in attendance at a meeting. If the City has an alternate, one that is interested in attending on a regular basis, more often than not they will be able to participate. In looking at the number of applications submitted, they fell into the Council identified make up with the exception of one land owner who did not fit into one of the categories.

Mayor Kennedy stated that he would like to chair this committee as it is one that he has wanted to serve on for many years. He said that Mayor Pro Tempore Chang also requests to serve on the Committee, indicating that it has been his practice to try and give the Mayor Pro Tempore the first opportunity in serving on a committee where there is an opportunity. He recommended that he and Mayor Pro Tempore be allowed to serve as the Council's representatives to this committee.

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Approved** the appointment of to the Urban Limit Line Advisory Committee Membership as Recommended by Mayor Kennedy and Council Member Carr.*

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Approved** the Appointment of Planning Commissioners Bob Engles and Joe Mueller to the Urban Limit Line Advisory Committee.*

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Appointed** Mayor Kennedy and Mayor Pro Tempore Chang*

*to Serve on the Committee and **Designated** Mayor Kennedy to serve as the Committee's Chairperson.*

Council Members Sellers and Tate stated that they found the guidelines for the creation of Commission to be helpful.

21. REQUEST FOR COUNCIL SPONSORSHIP OF SILICON VALLEY ONE BOOK, ONE COMMUNITY READS

Mayor Kennedy requested that the City co sponsor the event at the Community & Cultural Center. He noted that the staff report indicates that the use of the Community & Cultural Center would result in the loss of revenue of approximately \$500.

City Manager Tewes said that staff is suggesting that if the Community & Cultural Center is used for the specified hours for this activity, the City would have lost the opportunity to rent it to a private party. He stated that the fiscal impact of the co sponsorship is the equivalent of waiving the fees that would be due from a non profit organization in the amount of approximately \$200 for the use of the facility. Therefore, the fiscal impact, should the Council co sponsor the event, would be approximately 200+ in fees.

Council Member Sellers felt that the City needs to be careful with these types of events as the City proceeds and that it was important that requests be reviewed on an individual basis.

Council Member Carr agreed that this is a great project. He was pleased that Mayor Kennedy is on the Board of this project, indicating that Silicon Manufacturing Group has also been involved in this project. However, he felt that the City needs to be careful about setting precedents for groups that come before the Council to request co sponsorship of events because the City would quickly place itself in a hole at the Community and Cultural Center.

Action: *On a motion by Council Member Seller and seconded by Council Member Tate, the City Council unanimously (5-0) **Agreed** to Co-sponsor Silicon Valley One Book, One Community Reads.*

22) CITY COUNCIL/REDEVELOPMENT AGENCY SUMMER MEETING SCHEDULE

Council Member Sellers recommended that the August 6 meeting be canceled. Should a Council Member have a need to change the schedule, he recommended that the meeting schedule be brought back to the Council for further consideration.

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Agreed** to Cancel its August 6, 2003 meeting.*

FUTURE COUNCIL-INITIATED AGENDA ITEMS

Mayor Kennedy announced that one of the Sister Cities Committee members spoke with the Mayor of San Casciano. It was indicated that it is likely that the Mayor would be visiting Morgan Hill in late June. He stated that he would like to recognize the Mayor from San Casciano at a Council meeting when he visits the City.

CONVENE TO CLOSED SESSION

Mayor/Chairman Kennedy adjourned the meeting to Closed Session at 10: 55 p.m.

RECONVENE

Mayor/Chairman Kennedy reconvened the meeting at 11:24 p.m.

CLOSED SESSION ANNOUNCEMENT

Mayor/Chairman Kennedy announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 11:25 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY



CITY COUNCIL STAFF REPORT

MEETING DATE: February 19, 2003

**TITLE: Exception to Loss of Building Allocation, ELBA-03-01:
Evening Star – Brisacher**

RECOMMENDED ACTION(S):

Adopt Resolution granting an Exception to Loss of Building Allocation and approve a two-year Extension of Time.

Agenda Item # 21

Prepared By:

Planning Technician

Approved By:

**Community
Development Director**

Submitted By:

City Manager

EXECUTIVE SUMMARY: The applicant is requesting an Exception to Loss of Building Allocation (ELBA) for one of the twenty-seven building allotments comprising Phase 4B of the Coyote Estates Project, located on the north side of Evening Star Court, east of Peet Avenue. This Phase of the project consists of twenty-six single family and duet homes and one custom lot. All but the custom lot have been developed. The applicant is requesting an additional two years (to June 30, 2005) to commence construction of this home.

Pursuant to the City Council's Measure P Implementation policies, the building allotment for a custom lot extends two years beyond the time limit for the developer-built homes. Therefore, this remaining custom lot should commence construction by June 30, 2003. The applicant is requesting an exception to loss of building allotment to allow a two-year extension of time.

Under Section 18.78.125G of the Municipal Code, the City Council may grant an ELBA if it finds that the cause for the lack of commencement was the City's failure to grant a building permit for the project due to extended delays in environmental reviews, permit delays not the result of developer inaction, or allocation appeals processing. Construction of the custom home has been delayed due to a change in that applicant's employment status. Also, structural concrete was to be used extensively in the original home design. A contractor that specializes in this method of construction backed out of the job requiring the applicant to redesign the plans with conventional wood frame construction. This was a delay the Planning Commission noted that was beyond the applicant's control. The applicant's letter of justification for the ELBA is attached.

The Commission reviewed the ELBA application at their January 28, 2003 meeting and voted 5-1, with one Commissioner absent, recommending approval to the Council. A copy of the Commission's staff report and approved minutes are attached for the Council's reference.

FISCAL IMPACT: None. Filing fees were paid to cover the cost of processing this application.

RESOLUTION NO. 5641

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A TWO-YEAR EXCEPTION TO LOSS OF BUILDING ALLOCATION/ EXTENSION OF TIME FOR MEASURE P APPLICATION MP-97-25: COCHRANE-COYOTE ESTATES (APN 728-42-014)

WHEREAS, the Planning Commission pursuant to Chapter 18.78.125 of the Morgan Hill Municipal Code awarded 8 building allotments for application MP-97-25: Cochrane-Coyote Estates for Fiscal Year 1999-2000, plus 19 building allotments for FY 2000-2001; and

WHEREAS, pursuant to Section 18.78.150 of the Municipal Code, proposed residential developments must proceed according to an approved development schedule; and

WHEREAS, pursuant to Subsection B of Section 18.78.150, failure to comply with the development schedule may result in loss of building allocation; and

WHEREAS, under Section 18.78.125.G of the Municipal Code, the City Council may grant an Exception to Loss of Building Allocation (ELBA) if it finds that the cause for the lack of commencement was the City's failure to grant a building permit for the project due to an emergency situation as defined in Section 18.78.140, or extended delays in environmental reviews, permit delays not the result of developer inaction, or allocation appeals processing; and

WHEREAS, a two-year exception to loss of building allocation is currently requested for one Measure P custom home allotment issued for Fiscal Year 2000-2001, due to extended delays not the result of developer inaction; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

NOW, THEREFORE, THE MORGAN HILL CITY COUNCIL DOES RESOLVE AS FOLLOWS:

SECTION 1. The approved Measure P project is consistent with the Zoning Ordinance and the General Plan.

SECTION 2. EXCEPTION TO LOSS OF BUILDING ALLOCATION. The project applicant has in a timely manner, submitted necessary building applications to pursue development. The applicant is requesting a two-year exception to loss of building allocation, due to delays not the result of developer inaction. Structural concrete was to be used extensively in the original home design. A contractor that specializes in this method of construction backed out of the job requiring the

applicant to redesign the plans with conventional wood frame construction. The Planning Commission determined that this a delay beyond the applicant's control.

SECTION 3. Pursuant to Section 18.78.125.G of the Morgan Hill Municipal Code, the City Council hereby grants a two-year exception to loss of building allocation for one Measure P unit awarded to application MP-97-25: Cochrane- Coyote Estates. The two-year exception to loss of building allocation extends the deadline to commence construction of one Measure P unit from June 30, 2003 to June 30, 2005.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 19th Day of February, 2003, by the following vote.

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**

🦉 CERTIFICATION 🦉

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5641, adopted by the City Council at the Regular Meeting on February 19, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: February 19, 2003

TITLE: DEVELOPMENT AGREEMENT AMENDMENT

DAA 00-12: E. DUNNE – GREWAL

RECOMMENDED ACTION(S):

1. Open/close Public Hearing
2. Waive the First reading in full of the Development Agreement Amendment (DAA) Ordinance
3. Introduce on first reading the DAA Ordinance (roll call vote)

EXECUTIVE SUMMARY:

The applicant is requesting approval of a Development Agreement Amendment to allow for a one-year extension of time for four building allotments of a four-unit single-family detached project located at the northeastern quadrant of the intersection of E. Dunne Avenue and Hill Road. The applicant has had previous extensions approved for this project, the latest was Ordinance No. 1576, N.S. adopted by City Council on August 21, 2002 which extended commencement of construction to March 30, 2003.

The applicant is requesting the extension due to extended processing of the final map application. Adoption of the City's Storm Drainage Master Plan in January 2002 required changes to the Subdivision improvement plans to include a 48" storm drain line in the proposed cul-de-sac street. To install the storm drain line, the applicant will need to obtain permits from the Water District and other agencies. The Planning Commission determined that the City required plan revisions and new permit requirements are processing delays not the result of developer inaction.

The Commission reviewed the DAA application at their January 28, 2003 meeting and voted 4-2, with one Commissioner absent, recommending approval to the Council. A copy of the Commission's staff report and approved minutes are attached for the Council's reference.

FISCAL IMPACT:

None. Filing fees were paid to the City to cover the cost of processing this application.

Agenda Item # 22

Prepared By:

(Title)

Approved By:

(Department Director)

Submitted By:

City Manager

ORDINANCE NO. 1605, NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1576, NEW SERIES, TO AMEND THE DEVELOPMENT AGREEMENT FOR APPLICATION MP-00-02: E. DUNNE - GREWAL TO ALLOW FOR A ONE-YEAR EXTENSION OF TIME (APN 728-11-026)

THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAINS AS FOLLOWS:

SECTION 1. The City Council has adopted Resolution No. 4028 establishing a procedure for processing Development Agreements for projects receiving allotments through the Residential Development Control System, Title 18, Chapter 18.78 of the Municipal Code.

SECTION 2. The California Government Code Sections 65864 thru 65869.5 authorizes the City of Morgan Hill to enter into binding Development Agreements with persons having legal or equitable interests in real property for the development of such property.

SECTION 3. The Planning Commission, pursuant to Title 18, Chapter 18.78.125 of the Municipal Code and Resolution No. 00-17, adopted April 25, 2000, has awarded allotments to a certain project herein after described as follows:

<u>Project</u>	<u>Total Dwelling Units</u>
MP-00-02: E. Dunne - Grewal	4

SECTION 4. References are hereby made to certain Agreements on file in the office of the City Clerk of the City of Morgan Hill.

These documents, which were signed by the City of Morgan Hill and the property owner, set forth in detail and development schedule, the types of homes, and the specific restrictions on the development of the subject property. Said Agreement herein above referred to shall be amended by this ordinance and shall be binding on all future owners and developers as well as the present owners of the lands, and any substantial change can be made only after further public hearings before the Planning Commission and the City Council of this City.

SECTION 5. The City Council hereby finds that the amended development proposal and agreement approved by this ordinance is compatible with the goals, objectives, policies, and land uses designated by the General Plan of the City of Morgan Hill.

SECTION 6. The City Council hereby finds that the project delays are due to extended City

processing of the final map which required changes to the subdivision improvement plans to include a 48" storm drain in the proposed cul-de-sac street. To install the storm drain line, the applicant is required to obtain permits from the Water District and other agencies that will further delay the project. The City Council hereby approves a one year extension of time for the project's residential building allotment as set forth in Section 10, Exhibit B of this ordinance.

SECTION 7. Authority is hereby granted for the City Manager to execute all development agreements approved by the City Council during the Public Hearing Process.

SECTION 8. Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

SECTION 9. Effective Date Publication. This ordinance shall take effect from and after thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

SECTION 10. Exhibit B of the development agreement is amended to read as follows:

EXHIBIT "B"

**DEVELOPMENT SCHEDULE MP- 00 - 02: E. Dunne-Grewal
FY 2000-01 (1 allotment) , FY 2001-02 (3 allotments)**

I. SUBDIVISION AND ZONING APPLICATIONS

Applications Filed: (12-11-00)

II. SITE REVIEW APPLICATION

Application Filed: ~~(07-01-01)~~ (02-01-02)

III. FINAL MAP SUBMITTAL

Map, Improvements Agreement and Bonds: ~~(07-01-01)~~ (07-12-02)

IV. BUILDING PERMIT SUBMITTAL

Submit plans to Building Division for plan check:

Fiscal Year 2000-01 Allotment: ~~(10-01-01)~~ ~~(06-01-02)~~ ~~(11-30-02)~~ (11-30-03)
Fiscal Year 2001-02 Allotment: ~~(6-01-02)~~ ~~(11-30-02)~~ (11-30-03)

V. BUILDING PERMITS

Obtain Building Permits:

Fiscal Year 2000-01 Allotment: ~~(12-31-01)~~ ~~(06-01-02)~~ ~~(02-15-03)~~ (02-15-04)
Fiscal Year 2001-02 Allotment: ~~(06-30-02)~~ ~~(02-15-03)~~ (02-15-04)

Commence Construction:

Fiscal Year 2000-01 Allotment: ~~(12-31-01)~~ ~~(06-01-02)~~ ~~(03-30-03)~~ (03-30-04)
Fiscal Year 2001-02 Allotment: ~~(06-30-02)~~ ~~(03-30-03)~~ (03-30-04)

Failure to obtain building permits and commence construction by the date listed in Section V. above, shall result in the loss of building allocations. Failure to submit a Final Map Application or a Building Permit Submittal, Sections III. and IV. respective, six (6) or more months beyond the filing dates listed above shall result in applicant being charged a processing fee equal to double the building permit plan check fee and/or double the map checking fee to recoup the additional costs incurred in processing the applications within the required time limits. Additional, failure to meet the Final Map Submittal and Building Permit Submittal deadlines listed above, Sections III. and IV. respectively, may result in loss of building allocations. In such event, the property owner must re-apply under the development allotment process outlined in Section 18.78.090 of the Municipal Code if development is still desired.

An exception to the loss of allocation may be granted by the City Council if the cause for the lack of commencement was the City's failure to grant a building permit for the project due to an emergency situation as defined in Section 18.78.140 or extended delays in environmental reviews, permit delays not the result of developer inactions, or allocation appeals processing.

If a portion of the project has been completed (physical commencement on at least 2 dwelling units and lot improvements have been installed according to the plans and specifications), the property owner may submit an application for reallocation of allotments. Distribution of new building allocations for partially completed project shall be subject to the policies and procedures in place at the time the reallocation is requested.

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 19th Day of February 2003, and was finally adopted at a regular meeting of said Council on the 5th Day of March 2003, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:

ATTEST:

APPROVED:

Irma Torrez, City Clerk

Dennis Kennedy, Mayor

∞ CERTIFICATE OF THE CITY CLERK ∞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. 1605, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 5th Day of March, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE:_____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: *February 19, 2003*

**General Plan Amendment Application: GPA 02-05/Urban Service Area
Application: USA 02-03/Zoning Amendment ZA 02-14 & Annexation
Application ANX: 02-03: Condit-City of Morgan Hill Aquatic Complex**

RECOMMENDED ACTION(S):

1. Open/close Public Hearing.
2. Adopt Mitigated Negative Declaration
3. Motion to adopt resolution approving General Plan amendment.
4. Motion to adopt resolution approving an amendment to the Urban Service Area boundary.
5. Waive the reading in full of the prezone Ordinance
6. Introduce on first reading the prezone Ordinance (roll call vote)
7. Motion to adopt resolution approving annexation

Agenda Item # 23

Prepared By:

Senior Planner

Approved By:

**Community
Development Director**

Submitted By:

City Manager

EXECUTIVE SUMMARY: In December 2001, the City Council selected a vacant 8.8 acre site located on the south east corner of the intersection of Condit Rd. and Barrett Ave., for a City Aquatic Complex. The Aquatic Complex will include a pool house, recreational pool, a diving pool, a competitive swim pool and associated grandstands, instructional pool, slide pool and associated slide structure, two picnic areas, a wet playground, team locker room, maintenance facilities, lawn and plaza areas, associated parking facilities and storm water detention.

To complete the Aquatic Complex project the following must occur: The General Plan land use designation must be amended from Rural County to Public Facility, the parcel must be included within the City's USA boundary, the parcel will need to be prezoned PF, Public Facility and annexed into the City Limits of Morgan Hill.

General Plan Amendment and Prezoning: The proposed Public Facility land use designation and the corresponding PF, zoning designation would allow for the Aquatic Complex as a permitted use. The proposed Public Facility land use designation is a logical extension of the existing Public Facility land use designation to the north. The completion of the project is consistent with General Plan goal 18j: To continue to support the development of the recreational facilities identified in the Morgan Hill Vision Process. The Commission recommended that a 30 ft. wide landscape buffer be provided along the Condit Rd. project frontage. A 30 ft. wide buffer would be consistent with the Condit Rd. PUD standards in place on the west side of Condit Rd.

Urban Service Area Boundary Amendment & Annexation: The parcel is within the UGB and is contiguous on two sides with the USA and City Limit boundaries. The City has services available to support the development of the parcel, and its inclusion into the USA and City limits would represent a logical adjustment of those boundaries.

Proposed Mitigated Negative Declaration: The project impacts and mitigation include noise and dust suppression during construction, potential burrowing owl habitat, signalization of the US 101 Southbound and Northbound ramps at Tennant Ave., and parking availability for weekends and major events. Mitigation measures have been proposed for each of the project impacts. The Planning Commission has recommended the modification of the mitigation requiring the signalization of the Dunne Ave./Murphy Ave. intersection. It is recommended that the mitigation be modified to include the requirement to perform a warrant study. A warrant study will determine the 24 hr. performance level of the Dunne/Murphy intersection prior to determining the need for signalization. On February 11, the Planning Commission considered the above applications and voted 6-0-1 to recommend Council adoption of the Mitigated Negative Declaration (as amended) and all of the above applications. A copy of the Commission's staff report is attached for the Council's reference. A copy of the project's expanded initial study has been included with the Council agenda packet.

FISCAL IMPACT: The costs associated with the processing of the applications and the environmental review has been charge to the 5 year Capital Improvement Program

RESOLUTION NO. 5646

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING GENERAL PLAN AMENDMENT GPA 02-05: CONDT-CITY OF MORGAN HILL AQUATIC COMPLEX, CHANGING THE GENERAL PLAN LAND USE DESIGNATION FROM RURAL COUNTY TO PUBLIC FACILITY ON A 8.8 ACRE PARCEL LOCATED ON THE SOUTH EAST QUADRANT OF THE INTERSECTION OF CONDT ROAD AND BARRETT AVENUE. (PORTION OF APN 817-13-017)

WHEREAS, the City Council of the City of Morgan Hill at their regular meeting of February 19, 2003, considered General Plan Amendment GPA 02-05, a request to amend the designation on a 8.8 acre area, from Rural County to Public Facility; and

WHEREAS, the City Council received and considered testimony at a duly noticed public hearing; and

NOW, THEREFORE, THE MORGAN HILL CITY COUNCIL HEREBY RESOLVES AS FOLLOWS:

SECTION 1. The General Plan amendment is consistent with the provisions of the General Plan.

SECTION 2. An Expanded Initial Study has been prepared for this project as part of a separate application for Urban Service Area boundary amendment. A Mitigated Negative Declaration will be filed.

SECTION 3. The City Council hereby approves the General Plan Amendment as shown in attached Exhibit "A".

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 19th Day of February, 2003, by the following vote.

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:

☪ CERTIFICATION ☪

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5646, adopted by the City Council at the Regular Meeting on February 19, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

RESOLUTION NO. 5647

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING THE INCLUSION INTO THE CITY'S URBAN SERVICE AREA A 8.8 ACRE PARCEL LOCATED ON THE SOUTH EAST QUADRANT OF THE INTERSECTION OF CONDIT ROAD AND BARRETT AVE AS CONTAINED IN APPLICATION USA-02-03: CONDIT-CITY OF MORGAN HILL AQUATIC COMPLEX (8.8 ACRE PORTION OF APN 817-13-017)

WHEREAS, such request was considered by the City Council at their regular meeting of February 19, 2003 at which time the City Council approved Urban Service Boundary application USA 02-03: Condit-City of Morgan Hill Aquatic Complex; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

NOW, THEREFORE, THE MORGAN HILL CITY COUNCIL DOES RESOLVE AS FOLLOWS:

SECTION 1. The City Council finds that the proposed inclusion of territory into the Urban Service Areas is consistent with the General Plan because the development of the parcel is cost effective for the City.

SECTION 2. The City finds that the proposed Aquatic Complex is unique in parcel size and locational requirements. Due to the lack of parcels of this size along a major arterial within the existing Urban Service Area or City Limits, it is requested that the Local Agency Formation Commission consider readjustment of the Morgan Hill Urban Service boundary to include the area shown in the attached Exhibit A.

SECTION 3. The City Council finds that the inclusion of the property within the Urban Service Area boundary will further the City's fulfillment of its General Plan goal 18, policy 18 j, to continue to support the development of the recreational facilities identified in the Morgan Hill Vision Process.

SECTION 4. An Expanded Initial Study has been prepared. A Mitigated Negative Declaration will be filed.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 19th Day of February, 2003, by the following vote.

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

🦉 CERTIFICATION 🦉

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5647, adopted by the City Council at the Regular Meeting on February 19, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

ORDINANCE NO. 1606, NEW SERIES

**AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF MORGAN HILL PRE-ZONING 8.8 ACRES,
FROM COUNTY A-20 TO PUBLIC FACILITY,
APPLICATION ZA-02-14 (PORTION OF APN 817-13-017)**

**THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY
ORDAINS AS FOLLOWS:**

- SECTION 1.** Establish a Public Facility pre-zoning designation for 8.8 acres of land located on the south east quadrant of the intersection of Barrett Ave. and Condit Rd. The Public Facility zoning designation shall become affective upon annexation to the City of Morgan Hill.
- SECTION 2. INCORPORATING THE MAP BY REFERENCE.** There hereby is attached hereto and made a part of this ordinance, a zoning map entitled “Exhibit A” Map Showing Pre-zoning Lands of Lomanto Being a Part of Ordinance No. 1606, New Series, which gives the boundaries of the described parcels of Land.
- SECTION 3. DESCRIPTION OF LAND IN PRE-ZONING.** There hereby is attached hereto and made a part of this ordinance a legal description entitled “Exhibit B” which gives the boundaries of the described parcels of Land.
- SECTION 4. FINDING OF CONSISTENCY WITH THE GENERAL PLAN.** The City Council hereby finds that the amendments established by this ordinance as herein described are compatible with the goals, objectives, policies and land use designation of the General Plan of the City of Morgan Hill. The Council further finds that the proposed amendments are required in order to serve the public health, convenience and general welfare as provided by Section 18.62.010 of the Morgan Hill Municipal Code.
- SECTION 5.** An Expanded Initial Study has been prepared for this project as part of a separate application for Urban Service Area boundary amendment. A Mitigated Negative Declaration will be filed.
- SECTION 6.** Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.
- SECTION 7.** Effective Date; Publication. This Ordinance shall take effect from and after thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 19th Day of February 2003, and was finally adopted at a regular meeting of said Council on the 5th Day of March 2003, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:

ATTEST:

APPROVED:

Irma Torrez, City Clerk

Dennis Kennedy, Mayor

∞ CERTIFICATE OF THE CITY CLERK ∞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. 1606, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 5th Day of March, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

RESOLUTION NO. 5648

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL MAKING DETERMINATIONS AND APPROVING THE REORGANIZATION OF TERRITORY DESIGNATED CONDIT ROAD ANNEXATION NO. 5,” APPROXIMATELY 8.8 ACRES LOCATED ON THE SOUTH EAST CORNER OF THE INTERSECTION OF CONDIT ROAD AND BARRETT AVE., AND WITHDRAWAL OF SAID TERRITORY FROM THE SOUTH SANTA CLARA COUNTY FIRE PROTECTION DISTRICT. (PORTION OF APN 817-13-017)

WHEREAS, a written petition has been filed in the office of the City Clerk of the City of Morgan Hill in accordance with the provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000: annexing into the City of Morgan Hill certain territory located in the County of Santa Clara, State of California, hereinafter more particularly described; and

WHEREAS, said petition has been signed and consented to by the owners of the land in the territory proposed to be annexed; and

WHEREAS, Section 56757 of the California Government Code states that the Local Agency Formation Commission shall not review an annexation proposal to any City in Santa Clara County of unincorporated territory which is within the urban service area of the city if initiated by resolution of the legislative body and therefore the City Council of the City of Morgan Hill is now the conducting authority for said annexation; and

WHEREAS, Government Code Section 56663(a) provides that if a petition for annexation is signed by all owners of land within the affected territory, the City Council may approve or disapprove the annexation without public hearing; and

WHEREAS, evidence was presented to the City Council;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL AS FOLLOWS:

SECTION 1: That the City Council is the conducting authority pursuant to Section 56757 of the Government Code for the annexation of property designated “Condit Rd. No. 5,” more particularly described in Exhibits “A and B”;

SECTION 2: The territory described is hereby withdrawn from the South Santa Clara County Fire Protection District in accordance with Section 13952 of the California Health and Safety Code (8.8 acre portion of APN 817-13-017)

SECTION 3: The following findings are made by the City Council of the City of Morgan Hill:

- a. That said territory is uninhabited and comprises approximately 8.8 acres.
- b. That the annexation is consistent with the orderly annexation of territory within the City's urban service area and is consistent with the City policy of annexing when all city services can be provided.
- c. An expanded environmental initial study has been prepared for this application and has been found complete, correct and in substantial compliance with the requirements of California Environmental Quality Act. A mitigated Negative Declaration has been filed.
- d. The City Council on March 5, 2003, adopted Ordinance No. 1606, pre-zoning the subject territory with a Public Facility zoning designation.
- e. The annexation of this territory is contingent upon the within the Local Agency Formation Commission of Santa Clara County inclusion of the territory into the City's Urban Service Area Boundary.
- f. That the County Surveyor has determined the boundaries of the proposed annexation to be definite and certain, and in compliance with the Commission's road annexation policies.
- g. That the proposed annexation does not create islands or areas in which it would be difficult to provide municipal services.
- h. That the proposed annexation does not split lines of assessment or ownership.
- i. That the proposed annexation is consistent with the City's General Plan.
- j. That the territory to be annexed is contiguous to existing City limits.
- k. That the City has complied with all conditions imposed by the commission for inclusion of territory in the City's urban service area.

SECTION 4: The Council finds that all affected local agencies that will gain or lose territory as a result of this reorganization have consented in writing to a waiver of protest proceedings.

SECTION 5: The Council finds that all property owners and registered voters have been provided written notice of this proceeding and no opposition has been received.

SECTION 6: Said annexation is hereby ordered without any further protest proceedings pursuant to Sections 56663(c) and 56663(d) of the California Government Code.

BE IT FURTHER RESOLVED that upon completion of these reorganization proceedings, the territory annexed will be detached from the unincorporated portion of the County of Santa Clara.

BE IT FURTHER RESOLVED that upon completion of these reorganization proceedings, the territory annexed will be taxed on the regular county assessment roll, including taxes for existing bonded indebtedness.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 19th Day of February, 2003, by the following vote.

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

🦉 CERTIFICATION 🦉

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5648, adopted by the City Council at the Regular Meeting on February 19, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT

MEETING DATE: February 19, 2003

DISCUSSION OF PHASING FOR COMMERCIAL PLANNED UNIT DEVELOPMENT (PUD)

RECOMMENDED ACTION(S): Discuss and give direction regarding the phasing of development within the proposed PUD zoning at Tennant Avenue and Highway 101.

EXECUTIVE SUMMARY: On January 16, the Council discussed the proposal of a gas station, mini mart, car wash, fast food restaurant and a 10,000 sq. ft. medical office building as Phase I of the PUD development proposed on 29 acres on the southwest quadrant of Tennant Ave./Highway 101. The purpose of the Council discussion was to provide direction as to whether the ancillary uses proposed as part of a PUD could be constructed prior to larger commercial uses within the PUD. After considerable discussion of the topic, no action was taken. Council member Carr subsequently asked that the matter be reconsidered by the Council so as to provide clearer direction to the applicants.

Land Use Policy 10c of the General Plan required all commercial areas at freeway interchanges to be zoned PUD to ensure that they develop in a coordinated manner addressing such issues as design, signage and circulation. Action 10.5 under this policy states that the Zoning Ordinance should be amended to require ancillary commercial uses, such as fast food restaurants and service stations, on lands around interchanges to be part of larger developments

Two property owners within the Tennant Ave. PUD would like to move forward with the development of their properties. Specifically, one would like to construct a gas station, mini-mart, fast food restaurant and a car wash at what would be the southeast quadrant of the future intersection of Juan Hernandez Dr. and Tennant Ave. The second owner would like to construct 10,000 sq. ft. of medical office building. Pursuant to the PUD ordinance, a master plan and development guidelines have been submitted for the entire 29-acre PUD. At this time, no anchor tenants or major retailers have been identified for the PUD.

Staff met with the applicants' representatives to discuss the possibility of the medical office building moving forward separately since it is not defined as an ancillary use and would not necessarily need to be part of a sub-regional shopping center. Also discussed was the possibility of securing a large retail commercial use to accompany the gas station/fast food uses proposed for that parcel. The applicants' representatives indicated that there are no other commercial users interested at this time and the property owner is not interested in pursuing the medical office building separate from the fast food and carwash gas station use.

The applicants would like the Council to consider allowing the gas station, carwash, mini-mart, fast food and medical office to proceed as the first phase of the larger PUD development.

The Planning Commission discussed this issue at their meeting on September 24, 2002 and the majority (5-2) indicated that the gas station/fast food restaurant should develop as part of the larger development and not be allowed to develop first. Attached for the Council's reference is the January 15 Council report which contains the Planning Commission's staff report and minutes.

FISCAL IMPACT: None. Filing fees were paid to cover the cost of processing this application.

Agenda Item # 24

Prepared By:

Senior Planner

Approved By:

Director of Community Development

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: February 19, 2003

NEW MORGAN HILL POLICE FACILITY

RECOMMENDED ACTION(S): Direct staff on how to proceed with the development of a new police facility.

EXECUTIVE SUMMARY: In November 2002, the City Council directed staff to pursue two options for a new police facility: 1) Continue discussions with the County on co-locating the police facility at the Morgan Hill courthouse site. This option maintains the schedule as identified in the five year CIP and, 2) Accelerate the CIP schedule by acquiring a new industrial building on Vineyard Avenue and converting it into a police facility. Staff was directed to further evaluate the feasibility of the space and research the cost of conversion to a police facility. For your reference, *Attachment C* contains the staff report and feasibility study considered at the November 2002 meeting. The staff report identified the advantages and disadvantages of each option.

Attachment A contains the preliminary space plan and cost estimate for the conversion of the Vineyard building as well as the cost to build a new facility. The total cost of conversion for the police facility is estimated at \$2.8M (see *Attachment A* for cost details). This estimate does include a 15% contingency to cover unanticipated costs and to reflect the preliminary nature of these estimates. The total project cost including the \$6.4M building acquisition is approx. \$9.2M. Under this scenario, the developer would build all the necessary tenant improvements. The building is 43,000 sq. ft. which consists of 23,000 sq. ft. of police office space, 12,000 sq. ft. of indoor parking, and 8,000 sq. ft. of space available for other civic uses. Depending on the use of the 8,000 sq. ft., the possibility exists that other resources may be available to offset the overall cost of the facility.

In comparison, building a new facility would cost approximately \$12M adjusted for inflation (see *Attachment A* for cost details). A newly built facility would be 25,000 sq. ft., and the building and location can be designed specifically for a police facility. You will note that both the conversion and new construction estimates are much higher than the original CIP estimate of \$6.7 M. This is due to having better information by which to make the estimates.

The conversion of the Vineyard Facility is less costly than building a new facility. *Attachment B* shows the impact on the General Fund would range between \$199,000-\$399,000 a year beginning in FY03-04. A newly constructed police facility would impact the General Fund beginning in FY04-05 at an annual cost ranging between \$299,000-\$519,000. The low end of the range assumes a certain level of "downpayment" towards the purchase price and the high end assumes 100% debt financing (please refer to the memo in *Attachment B* for more detail).

Staff is seeking direction from the Council on which course to take. Should you choose to stay on the adopted CIP course, we will need to work closely with the County and VTA to make a site available on Butterfield Blvd. If that cannot be accomplished, we will need to identify and acquire another central location. Alternatively, should the Council determine to pursue the conversion of the Vineyard building, we suggest you direct staff to begin the negotiations for the acquisition and improvement of the facility. We will also need direction to begin making arrangements for debt financing.

FISCAL IMPACT: Refer to Attachment B for potential impacts to the General Fund.

Agenda Item # 25

Prepared By:

BAHS Director

Submitted By:

City Manager

ATTACHMENT A

COMPARISON OF COSTS FOR POLICE FACILITY

19-Feb-03

Conversion of Vineyard Ave Building

Building Size in square feet	43,305
Acreage	3
Land/Building Cost	\$6,400,000
Tenant Improvements	\$1,900,000
FF&E (includes phone & other communication equip)	\$650,000
Contingency (15% of hard cost)	\$250,000
Total	\$9,200,000
Total Cost/sq. ft. of Bldg	\$212

Construction of New Building

Building Size in sq. ft.	25,000
Acreage	2
Land cost	\$900,000
Construction (\$300/sq. ft.)	\$7,500,000
Escalation (2 yrs @2%)	\$300,000
Soft Costs (30% of construction costs)	\$2,300,000
Contingency (10% of total costs)	\$1,000,000
Total	\$12,000,000
Total Cost/Sq. Ft. of Bldg	\$480



Memorandum

Finance Department

Date: February 19, 2003

To: Ed Tewes, City Manager

From: Jack Dilles, Finance Director

Subject: FINANCIAL ANALYSIS OF POLICE FACILITY ACQUISITION OPTIONS

The attached two analyses each detail the financial impacts of

- 1) purchasing an existing building and remodeling that building for use as a police facility at a total cost of \$9.2 million; or
- 2) constructing a new building at a total cost of \$12 million.

100% FINANCING

Under Attachment A, costs of either 1) or 2) would be financed 100% through a certificates of participation (COP) financing. The debt service payments would begin approximately one year following issuance of the debt. Under 1), for the purchase and remodeling of an existing building, the annual debt service payment would approximate \$630,000, of which \$399,000, or 63%, would be related to existing population and be paid from the General Fund, from existing fund balance in the Police Impact Fund, and from proceeds from the sale of property to the Redevelopment Agency for use as a library. Under this scenario, the City could use the \$2.9 million available in non-General Fund monies to make the first seven years of payments of \$399,000. After that time, the General Fund would need to pick up the annual \$399,000 payments. The remainder of each debt service payment would be charged to Police Impact Fund new development fees.

Alternatively, on Attachment A, under 2), for the construction of a new facility, the annual debt service payment would approximate \$820,000, of which \$519,000, or 63%, would be related to existing population and be paid from the General Fund, from existing fund balance in the Police Impact Fund, and from proceeds from the sale of property to the Redevelopment Agency. Under this scenario, the City could use the \$2.9 million available in non-General Fund monies to make the first five to six years of payments of \$519,000. After that time, the General Fund would need to pick up the annual \$519,000 payments. The remainder of each debt service payment would be charged to Police Impact Fund new development fees.

PARTIAL FINANCING

Under Attachment B, \$2.9 million in costs would be financed up-front by existing Police Impact Fund monies and proceeds from the sale of land. The remaining costs under either 1) or 2)

would be financed through a COP financing. Under 1), for the purchase and remodeling of an existing building, the annual debt service payment would approximate \$430,000, of which \$199,000 would be related to existing population and be paid entirely from the General Fund. Under this scenario, the General Fund would need to pick up all of the annual \$199,000 payments beginning approximately one year following issuance of the debt. The remainder of each debt service payment would be charged to Police Impact Fund new development fees.

Alternatively, on Attachment B, under 2), for the construction of a new facility, the annual debt service payment would approximate \$600,000, of which \$299,000 would be related to existing population and be paid from the General Fund. Under this scenario, the General Fund would need to pick up all of the annual \$299,000 payments beginning approximately one year following issuance of the debt. The remainder of each debt service payment would be charged to Police Impact Fund new development fees.

ALTERNATIVES

In between 100% COP financing and using all identified non-General Fund money as a down payment toward financing are other approaches. For instance, the City could use only a portion of these existing non-General Fund monies as a down payment and apply the unexpended balance toward future debt service payments. Alternatively, under 100% COP financing, the City could use the existing non-General Fund monies to only partially reduce, instead of eliminating, the first years of General Fund debt service payments and thereby smooth out the use of General Fund resources over a longer period of time.

CONCLUSION

Financial advantages of buying a facility now are that the commercial real estate market is depressed, so the City could get a good price now, and that the cost of financing is at an all-time low and will likely increase in the future. The advantage of waiting and building is that there would be less uncertainty about the City's financial position in the future, once the economy turns around.

**OPTIONS FOR FINANCING ACQUISITION OF POLICE FACILITY
WITH 100% DEBT FINANCING**

Atchmt. A

	Total Activity
<u>PURCHASE OF EXISTING BUILDING with COP financing</u>	
Sources of funding:	
Police impact fund (existing development)	1,200,000
Proceeds from sale of property to RDA for library	1,700,000
New Police Impact Fees to be Collected over Time	3,376,400
General Fund Contribution	2,923,600
Total sources to repay debt that would finance project	9,200,000

Debt service distribution

Net annual debt service on payments (all inclusive 4.9% interest rate for 30 years):	
<i>From existing Police Impact Fund, Property Sale, & General Fund</i>	399,000
<i>From Police Impact Fund (new development)</i>	231,000
Total annual debt service	630,000

Uses of COP proceeds:

project costs	9,200,000
reserve fund	635,000
financing costs	350,000
Total COP proceeds	10,185,000

	Total Activity
<u>CONSTRUCTION OF NEW BUILDING IN TWO YEARS</u>	
Sources of funding:	
Police impact fund (existing development)	1,200,000
Proceeds from sale of property to RDA for library	1,700,000
New Police Impact Fees to be Collected over Time	4,404,000
General Fund Contribution	4,696,000
Total sources to repay debt that would finance project	12,000,000

Debt service distribution

Net annual debt service on payments (all inclusive 4.9% interest rate for 30 years):	
<i>From existing Police Impact Fund, Property Sale, & General Fund</i>	519,000
<i>From Police Impact Fund (new development)</i>	301,000
Total annual debt service	820,000

Uses of COP proceeds:

project costs	12,000,000
reserve fund	828,000
financing costs	456,000
Total COP proceeds	13,284,000

Assumptions:

- 1) Interest rates are based on current rates and will vary in the future
- 2) City & RDA Board agree for City to sell land for library to RDA for approximately \$1.7 million

**OPTIONS FOR FINANCING ACQUISITION OF POLICE FACILITY
WITH PARTIAL DEBT FINANCING**

Atchmt. B

<u>PURCHASE OF EXISTING BUILDING with COP financing</u>	Total Activity
Sources of funding:	
New Police Impact Fees to be Collected over Time	3,376,400
General Fund Contribution	2,923,600
Total sources to repay debt that would partly finance project	6,300,000
Police impact fund (existing development)	1,200,000
Proceeds from sale of property to RDA for library (down payment)	1,700,000
Total down payment	2,900,000
Total sources of funding	9,200,000

Debt service distribution

Net annual debt service on payments (all inclusive 4.9% interest rate for 30 years):

<i>From General Fund</i>	199,000
<i>From Police Impact Fund (new development)</i>	231,000
Total annual debt service	430,000

Uses of COP proceeds:

project costs	6,300,000
reserve fund	435,000
financing costs	240,000
Total COP proceeds	6,975,000

<u>CONSTRUCTION OF NEW BUILDING IN TWO YEARS</u>	Total Activity
---	---------------------------

Sources of funding:	
New Police Impact Fees to be Collected over Time	4,404,000
General Fund Contribution	4,696,000
Total sources to repay debt that would partly finance project	9,100,000
Police impact fund (existing development)	1,200,000
Proceeds from sale of property to RDA for library (down payment)	1,700,000
Total down payment	2,900,000
Total sources of funding	12,000,000

Debt service distribution

Net annual debt service on payments (all inclusive 4.9% interest rate for 30 years):

<i>From General Fund</i>	299,000
<i>From Police Impact Fund (new development)</i>	301,000
Total annual debt service	600,000

Uses of COP proceeds:

project costs	9,100,000
reserve fund	628,000
financing costs	346,000
Total COP proceeds	10,074,000

Assumptions:

- 1) Interest rates are based on current rates and will vary in the future
- 2) City & RDA Board agree for City to sell land for library to RDA for approximately \$1.7 million



REDEVELOPMENT AGENCY

MEETING DATE: February 19, 2003

Santa Clara County's Courthouse Project

RECOMMENDED ACTION(S): Consider the letters from the County of Santa Clara regarding their Courthouse project and direct staff on how to proceed.

EXECUTIVE SUMMARY: In January 2001, the Redevelopment Agency approved an agreement with the County of Santa Clara (County) to develop a new South County Justice Center in Morgan Hill to replace the County's facility in San Martin. The Morgan Hill Courthouse would include six courthouses, court administrative offices, and offices for the District Attorney, Public Defender and other related facilities/offices. The preferred location is the eight acre property just south of the Caltrain lot on Butterfield Blvd.

Over the past two years, the County has been in the process of programming the facility and developing its schematic design. Their current plan envisions an 80,000 sq. ft. complex costing upwards of \$40M. The significant increase in project size combined with the property being smaller than anticipated (7.78 acres versus 8.14 acres) has reduced the surplus property available for a city facility. At the time the property was initially selected for the Courthouse, we believed there was adequate space for both the Courthouse and City police facility.

Attached are two recent letters from the County describing the two development schemes they are considering for the Courthouse. In both Scheme A and B, the estimated "surplus" property available for a city facility is about .5 acres. However, only Scheme A provides the required access to Butterfield Blvd. In addition, we need a minimum of 1.5 acres for a police facility and .75 acres for a fire station. While the .5 acres is much too small for a police or fire station, the next step in the design process is for the County and City to jointly masterplan the site for a Courthouse and Police facility (see Section 9 of the attached agreement). During this phase, the County and Agency must jointly plan the site to meet our respective needs. Up to this point, the County had been evaluating its needs to determine whether they will need all or less than the entire eight acre site. Now that we know they will need less, the "master plan" phase will be triggered.

During the masterplan process, the County will be requested to explore different configurations of the parking lot in order to better accommodate our needs. However, before we make this request, we would like direction from the City Council regarding the locational preferences for the police facility. It should be noted that earlier this evening the Council discussed the future location of the police facility. The results of that discussion could be used to assist in determining whether this location continues to remain a high priority for a police facility. If so, we will aggressively pursue all options to co-locate the police facility on the site including the possible acquisition of the adjacent one acre parcel co-owned by the City and VTA. The acceptance of an option by County staff may require the assistance of Councilmembers to contact their counterparts at the County and VTA.

In addition to providing us with direction regarding the preferred location for the police facility, we would appreciate any other comments the Council may have regarding this project. For your reference, attached is our response to the recent County letters.

FISCAL IMPACT: Depends on Council direction

Agenda Item # 26

Approved By: _____

BAHS Director

Submitted By: _____

Executive Director



JOINT CITY COUNCIL/ REDEVELOPMENT AGENCY STAFF REPORT

MEETING DATE: February 19, 2003

LEASE WITH THE CALIFORNIA YOUTH SOCCER ASSOCIATION (CYSA)

RECOMMENDED ACTION(S):

- 1) Open/close the public hearing.
- 2) Adopt resolutions approving a new lease agreement with CYSA for the property located at 16545 Murphy Avenue; and
- 3) Direct the City Manager/Executive Director to do everything necessary to execute the new lease agreement.

EXECUTIVE SUMMARY:

In July 2001, the Redevelopment Agency purchased the 35 acre site commonly known as the regional soccer complex. The site is bounded on the west and east by Condit Road and Murphy Avenue, and on the north and south by San Pedro and Barrett Avenues, respectively. The site is currently being leased to CYSA for use as a regional soccer complex. The Agency envisions this site as a future sports complex as noted in the City's Five Year Capital Improvement Program.

This new lease agreement replaces the agreement the previous owner had with CYSA. Although the previous lease expired in May 2002, we have continued the lease on a hold over basis pending the approval of the new lease. The new lease maintains the same basic terms with some adjustments. The following are the key points of the lease:

- The lease runs from July 2002 thru December 2003.
- The lease rate is \$24,500 adjusted annually based on the CPI.
- CYSA acknowledges that after this lease terminates, the Agency will not negotiate another long term lease.
- CYSA is responsible for all maintenance and repair of the facility as well as all utility costs.
- The Agency may use the facility a minimum of four days during the lease period.

The new lease agreement reflects the Agency's current contractual standards and provides assurances that the facility will be leased thru December 2003. CYSA has already executed the attached lease agreement.

Under California Redevelopment Law, the City/Agency are required to make specific findings as contained in the attached resolutions to approve the lease.

FISCAL IMPACT: The Agency will receive over \$24,500 per year in lease revenues.

Agenda Item # 27

Prepared By:

BAHS Analyst

Approved By:

BAHS Director

Submitted By:

Executive Director

RESOLUTION NO. 5640

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A NEW LEASE AGREEMENT WITH THE CALIFORNIA YOUTH SOCCER ASSOCIATION

RECITALS

WHEREAS, in order to effectuate the provisions of the Community Development Plan (the "Redevelopment Plan") for the Ojo de Agua Community Development Project (the "Project Area"), originally adopted by City Ordinance No. 552 on June 3, 1981, and as amended and restated by the Amendment to the Community Development Plan for the Ojo de Agua Community Development Project adopted by City Ordinance No. 1429 N.S. on May 5, 1999, the Morgan Hill Redevelopment Agency (the "Agency") proposes to enter into a new lease agreement with the California Youth Soccer Association ("CYSA") to replace an existing lease with the CYSA on land at 16545 Murphy Avenue (the "Site") on which a large, publicly-owned sports complex in which baseball/softball and soccer fields with lights, concession stands, restrooms, parking, and other related improvements (the "Sports Complex") will be constructed after the term of the new lease; and

WHEREAS, the City Council of the City of Morgan Hill has previously determined that the Project Area is an area in which the combination of conditions of blight is so prevalent and so substantial that there is a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical, social and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment. Among other things, the Project Area contains vacant and underutilized properties, properties which suffer from economic dislocation, deterioration or disuse, including depreciated or stagnant property values and impaired investments, and aged and obsolete buildings. Such conditions tend to further deterioration and disuse because of the lack of incentive to landowners and their inability to improve, modernize or rehabilitate their property while the condition of the neighboring property remains unchanged. The Project Area is characterized by the existence of inadequate open spaces, public improvements and public facilities, including inadequate community facilities, which cannot be remedied by private or governmental action without redevelopment; and

WHEREAS, the new lease will have a fixed term during which the design of the Sports Complex will proceed and the Site will continue to be used as a regional soccer complex in close proximity to the Project Area. The fixed term of the new lease (as well as a confirmation in the new lease that the Agency is not obligated to negotiate a further lease for the Site with the CYSA) will facilitate the subsequent installation and construction of the Sports Complex. The continued use of the Site as a soccer complex and the installation and construction of the Sports Complex will help remedy the lack of adequate public improvements, as there are no comparable recreational improvements serving the Project Area, and will assist in the revitalization of the Project Area. The Sports Complex will encourage private sector investment in the Project Area, thereby facilitating and accelerating the redevelopment of the Project Area. The installation and construction of the Sports Complex will create employment opportunities for the residents of the Project Area and will otherwise serve a basic purpose of redevelopment, which includes the provision of structures as may be appropriate or necessary in the interest of the general welfare, including recreational facilities. In addition, a fundamental purpose of

redevelopment is to provide an environment for the social, economic and psychological growth and well-being of all citizens. The continued use of the existing Soccer complex and the construction of the new Sports Complex will serve the human need for recreation and social interaction, contributing to the well-being of the community, and will serve the community of Morgan Hill's needs for new, modern and efficient facilities to accommodate the recreation programs needed to promote physical and mental health. The Sports Complex will provide much needed public recreation facilities as well as useable open space area which is available to the residents, taxpayers and employees of the Project Area and the City. The foregoing will remedy conditions which are conducive to crime and juvenile delinquency in the Project Area, all for the benefit of the health, safety and welfare of the residents, employees and taxpayers of the Project Area and the immediate neighborhood. Moreover, the Sports Complex will promote economic growth and development of the Project Area by creating more jobs and stimulating private investment in the area. No vacant properties of the size needed for the Sports Complex are available in the Project Area or, if available, would be located near non-compatible uses (i.e., industrial business park);

WHEREAS, the new lease will enable the Agency to use the Site four days a year, provide a higher return to the Agency than the existing lease and provide the CYSA an opportunity to locate to a new site in the Morgan Hill area;

WHEREAS, Health and Safety Code Section 33433 requires that before any property of the Agency acquired in whole or in part with tax increment revenue is leased, such lease shall first be approved by the legislative body after public hearing;

WHEREAS, Health and Safety Code Section 33433 also requires that a Summary Report be made available for public inspection; and

WHEREAS, the Summary Report has been made available for public inspection in the manner required by Section 33433;

WHEREAS, notice of a joint public meeting to be held by the City Council and the Agency regarding the approval for the new lease has been duly given in the manner required by law;

NOW, THEREFORE, based on the evidence presented to the City Council, including the written staff report and oral testimony in this matter, and the Summary Report prepared pursuant to Section 33433 of the California Health and Safety Code, the City Council does hereby find, determine, resolve and order as follows:

Section 1. The new lease will assist in the elimination of blight in the Project Area and is consistent with the implementation plan for the Project Area adopted pursuant to Health and Safety Code Section 33490.

Section 2. The consideration for the new lease is not less than the fair market value of the Site at its highest and best use in accordance with applicable zoning.

Section 3. The City Council hereby approves the new lease (with a term from July 2002 through December 2003 at an annual rent of at least \$24,500) and hereby authorizes

the Agency to take such actions, perform such deeds and execute, acknowledge and deliver such instruments and documents as it deems necessary in connection therewith.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 19th Day of February, 2003, by the following vote.

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:

☞ CERTIFICATION ☞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5640, adopted by the City Council at the Regular Meeting on February 19, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

RESOLUTION NO. MHRA -242

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL APPROVING A NEW LEASE AGREEMENT WITH THE CALIFORNIA YOUTH SOCCER ASSOCIATION

RECITALS

WHEREAS, in order to effectuate the provisions of the Community Development Plan (the "Redevelopment Plan") for the Ojo de Agua Community Development Project (the "Project Area"), originally adopted by City Ordinance No. 552 on June 3, 1981, and as amended and restated by the Amendment to the Community Development Plan for the Ojo de Agua Community Development Project adopted by City Ordinance No. 1429 N.S. on May 5, 1999, the Morgan Hill Redevelopment Agency (the "Agency") proposes to enter into a new lease agreement with the California Youth Soccer Association ("CYSA") to replace an existing lease with the CYSA on land at 16545 Murphy Avenue (the "Site") on which a large, publicly-owned sports complex in which baseball/softball and soccer fields with lights, concession stands, restrooms, parking, and other related improvements (the "Sports Complex") will be constructed after the term of the new lease; and

WHEREAS, the City Council of the City of Morgan Hill has previously determined that the Project Area is an area in which the combination of conditions of blight is so prevalent and so substantial that there is a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical, social and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment. Among other things, the Project Area contains vacant and underutilized properties, properties which suffer from economic dislocation, deterioration or disuse, including depreciated or stagnant property values and impaired investments, and aged and obsolete buildings. Such conditions tend to further deterioration and disuse because of the lack of incentive to landowners and their inability to improve, modernize or rehabilitate their property while the condition of the neighboring property remains unchanged. The Project Area is characterized by the existence of inadequate open spaces, public improvements and public facilities, including inadequate community facilities, which cannot be remedied by private or governmental action without redevelopment; and

WHEREAS, the new lease will have a fixed term during which the design of the Sports Complex will proceed and the Site will continue to be used as a regional soccer complex in close proximity to the Project Area. The fixed term of the new lease (as well as a confirmation in the new lease that the Agency is not obligated to negotiate a further lease for the Site with the CYSA) will facilitate the subsequent installation and construction of the Sports Complex. The continued use of the Site as a soccer complex and the installation and construction of the Sports Complex will help remedy the lack of adequate public improvements, as there are no comparable recreational improvements serving the Project Area, and will assist in the revitalization of the Project Area. The Sports Complex will encourage private sector investment in the Project Area, thereby facilitating and accelerating the redevelopment of the Project Area. The installation and construction of the Sports Complex will create employment opportunities

for the residents of the Project Area and will otherwise serve a basic purpose of redevelopment, which includes the provision of structures as may be appropriate or necessary in the interest of the general welfare, including recreational facilities. In addition, a fundamental purpose of redevelopment is to provide an environment for the social, economic and psychological growth and well-being of all citizens. The continued use of the existing Soccer complex and the construction of the new Sports Complex will serve the human need for recreation and social interaction, contributing to the well-being of the community, and will serve the community of Morgan Hill's needs for new, modern and efficient facilities to accommodate the recreation programs needed to promote physical and mental health. The Sports Complex will provide much needed public recreation facilities as well as useable open space area which is available to the residents, taxpayers and employees of the Project Area and the City. The foregoing will remedy conditions which are conducive to crime and juvenile delinquency in the Project Area, all for the benefit of the health, safety and welfare of the residents, employees and taxpayers of the Project Area and the immediate neighborhood. Moreover, the Sports Complex will promote economic growth and development of the Project Area by creating more jobs and stimulating private investment in the area. No vacant properties of the size needed for the Sports Complex are available in the Project Area or, if available, would be located near non-compatible uses (i.e., industrial business park);

WHEREAS, the new lease will enable the Agency to use the Site four days a year, provide a higher return to the Agency than the existing lease and provide the CYSA an opportunity to locate to a new site in the Morgan Hill area;

WHEREAS, Health and Safety Code Section 33433 requires that before any property of the Agency acquired in whole or in part with tax increment revenue is leased, such lease shall first be approved by the legislative body after public hearing;

WHEREAS, Health and Safety Code Section 33433 also requires that a Summary Report be made available for public inspection; and

WHEREAS, the Summary Report has been made available for public inspection in the manner required by Section 33433;

WHEREAS, notice of a joint public meeting to be held by the City Council and the Agency regarding the approval for the new lease has been duly given in the manner required by law;

NOW, THEREFORE, based on the evidence presented to the Agency, including the written staff report and oral testimony in this matter, and the Summary Report prepared pursuant to Section 33433 of the California Health and Safety Code, the Morgan Hill Redevelopment Agency does hereby find, determine, resolve and order as follows:

Section 1. The new lease will assist in the elimination of blight in the Project Area and is consistent with the implementation plan for the Project Area adopted pursuant to Health and Safety Code Section 33490.

Section 2. The consideration for the new lease is not less than the fair market value of the Site at its highest and best use in accordance with applicable zoning.

Section 3. The Agency hereby approves the new lease (with a term from July 2002 through December 2003 at an annual rent of at least \$24,500) and hereby directs its Executive Director and/or any other authorized officers to take such actions, perform such deeds and execute, acknowledge and deliver such instruments and documents as it deems necessary in connection therewith.

PASSED AND ADOPTED by the Morgan Hill Redevelopment Agency at the Special Meeting held on the 19th day of February, 2003 by the following vote:

AYES: **AGENCY MEMBERS:**
NOES: **AGENCY MEMBERS:**
ABSTAIN: **AGENCY MEMBERS:**
ABSENT: **AGENCY MEMBERS:**

🍷 CERTIFICATION 🍷

I, **IRMA TORREZ, AGENCY SECRETARY**, do hereby certify that the foregoing is a true and correct copy of Resolution No. MHRA-242, adopted by the Morgan Hill Redevelopment Agency at the Special Meeting of February 19th, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, AGENCY SECRETARY



CITY COUNCIL STAFF REPORT

MEETING DATE: February 19, 2003

Agenda Item # 28

Prepared By:

**Council Services &
Records Manager**

Approved By:

City Attorney

Submitted By:

City Manager

AMEND CHAPTER 2.56 - ARCHITECTURAL AND SITE REVIEW BOARD (ARB) REGARDING EXTENSION OF TERMS OF OFFICE AND APPOINTMENT TO ARB

RECOMMENDED ACTION(S):

1. Waive the First and Second Reading of Ordinance No. 1607, New Series
2. Introduce Ordinance regarding Boards and Commissions and extension of appointments thereto.
3. Waive the First and Second Reading of Ordinance No. 1608, New Series
4. Introduce Ordinance regarding terms of office for Architectural and Site Review Board Members

EXECUTIVE SUMMARY:

There currently exists one vacancy on the Architectural and Site Review Board (ARB). Three ARB members are due to have terms expiring on March 1, 2003. The Planning Commission will have four members whose terms will expire on June 1, 2003. Staff discussed recruitments to fill vacancies with Mayor Kennedy. Mayor Kennedy has requested that staff conduct recruitments concurrently with the Planning Commission. Concurrent recruitment will afford the City Council flexibility to appoint to these two bodies based on qualifications and needs. Also, concurrent recruitment will afford staff the opportunity to streamline the recruitment process and make efficient use of staff and Council time; eliminating the need to interview on different days.

Staff is recommending that the Council amend Section 2.22.010 (Establishment of boards and commissions) of Chapter 2.22 (Master Provisions for Boards and Commissions) of Title 2 (Administrative and Personnel) to include a section that will authorize extension of appointment terms, at the discretion of the City Council, until such time that a successor member can be appointed. Amendment to this section of the Municipal Code will afford the City Council flexibility to extend terms of appointments until such time that the Council concludes its recruitment and appointment process. (See section 1 subsection D of the attached Ordinance No. 1607.)

In reviewing Chapter 2.22 of the Municipal Code, staff noticed that there were other clean-up amendments that need to be incorporated into this Chapter. Staff will refer the Council to Ordinance No. 1607, New Series. Section 1, relating to Section 2.22.010 - Establishment of boards and commission, does not make reference to the Parks and Recreation Commission, Architectural and Site Review Board nor the Library Commission. Staff is recommending that the Council amend Section 2.22.010 to include subsections 4, 5 and 6 that will incorporate reference to the Parks and Recreation Commission, Architectural and Site Review Board, and the Library Commission into the Master Provisions for Boards and Commission.

Should the Council support extending the terms of boards and commissions, staff recommends that the Council adopt Ordinance No. 1608, New Series, which will amend Section 2.56.030 (Terms of Office) of Chapter 2.56 (Architectural and Site Review) of Title 2 (Administration and Personnel). Amendment to Sections 2.56.030 (A) and (B) would extend the appointment terms for ARB members to coincide with the terms of the Planning Commission of June 1.

FISCAL IMPACT: No fiscal impact is associated with the proposed amendments.

ORDINANCE NO. 1607, NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING SECTION 2.22.010 (Establishment of boards and commissions) OF CHAPTER 2.22 (Master Provisions for Boards and Commissions) OF TITLE 2 (Administration and Personnel) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING BOARDS AND COMMISSIONS AND EXTENSION OF APPOINTMENTS THERETO

WHEREAS, the City of Morgan Hill has several boards and commissions which are established by the City Council to consider and advise the Council regarding various areas of City business; and,

WHEREAS, Chapter 2.22 of the Municipal Code of the City of Morgan Hill contains general regulations governing the composition of and appointment to said boards and commissions; and,

WHEREAS, the City Council has established several boards and/or commissions which are not referred to in Chapter 2.22, and Chapter 2.22 needs amendment to reflect the establishment of such entities; and,

WHEREAS, the City Council has experienced difficulties in filling open positions on boards and commissions; and,

WHEREAS, the City Council wishes to have the administrative flexibility to extend appointments of board members and commissioners until such time as successors are appointed to fill such positions.

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING, THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAIN AND ENACT AS FOLLOWS:

Section 1. Section 2.22.010 (Establishment of boards and commissions) of Chapter 2.22 (Master Provisions of Boards and Commissions) of Title 2 (Administration and Personnel) is hereby amended as follows:

Section 2.22.010 Establishment of boards and commissions.

A. There are established within the city the following boards and commissions:

1. Planning commission
2. Personnel commission; ~~and~~

3. Mobile home rent advisory commission;
4. *Parks and recreation commission;*
5. *Architectural and site review board; and*
6. *Library commission.*

B. Unless otherwise set forth, all members of boards and commissions shall be residents of and registered voters in the city and shall continue to be qualified electors in and residents of the city during their terms of office. The city council, upon making a finding to the effect that there are no qualified residents applying for a seat upon a board or commission, may appoint an individual who is not a city resident but who is a registered voter of Santa Clara County and residing within the city's sphere of influence.

C. Members shall be appointed by a majority of the city council and may be removed without cause by vote of any three members of the city council.

D The appointment terms of members may be extended, at the discretion of the city council, until such time as a successor member may be appointed and take office.

Section 2. **Severability.** Should any provision of this ordinance be deemed unconstitutional or unenforceable by a court of competent jurisdiction, such provision shall be severed from the ordinance, and such severance shall not affect the remainder of the ordinance.

Section 3. **Effective Date; Posting.** This ordinance shall take effect thirty (30) days after its second reading. This ordinance shall be posted at City Hall.

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 19th Day of February 2003, and was finally adopted at a regular meeting of said Council on the 5th Day of March 2003, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

ATTEST:

APPROVED:

Irma Torrez, City Clerk

Dennis Kennedy, Mayor

∞ CERTIFICATE OF THE CITY CLERK ∞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA,
do hereby certify that the foregoing is a true and correct copy of Ordinance No. 1606, New
Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting
held on the 5th Day of March, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, CITY CLERK

ORDINANCE NO. 1608, NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING SECTION 2.56.030 (Terms of office) OF CHAPTER 2.56 (ARCHITECTURAL AND SITE REVIEW BOARD) OF TITLE 2 (ADMINISTRATION) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING TERMS OF OFFICE FOR ARCHITECTURAL AND SITE REVIEW BOARD MEMBERS

WHEREAS, the Municipal Code of the City of Morgan Hill establishes an Architectural and Site Review Board (“ARB”) and sets the terms of office for members of the board; and,

WHEREAS, the City often conducts recruitments to fill board vacancies, either due to resignations or expiration of terms of office; and,

WHEREAS, such recruitments are costly and consume administrative staff time; and,

WHEREAS, recruitments for the ARB and Planning Commission often attract candidates who are willing to serve on either board due to the similarity in subject matter; and,

WHEREAS, the City Council deems it prudent to conduct simultaneous recruitments for open positions on the ARB and Planning Commission for the above-stated reasons; and,

WHEREAS, the current terms of office defined in the Municipal Code for the ARB make such simultaneous recruitments difficult, and amendment thereto is necessary to allow simultaneous recruitments.

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING, THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY ORDAIN AND ENACT AS FOLLOWS:

Section 1. Section 2.56.030 (Terms of office) of Chapter 2.56 (Architectural and Site Review) of Title 2 (Administration) is hereby amended to read as follows:

2.56.030 Term of office.

Board members shall be appointed for terms of two years.

A. Initial appointments shall be as follows: ~~A.~~ The terms of two board members shall commence on March 1, 2001, and expire on March 1, 2002, and the terms of three of the members shall expire on March 1, 2003. *These terms shall be extended until June 1, 2003.*

B. Thereafter, all terms shall be for two years and *shall commence on June 1st, and expire two (2) years later* ~~shall expire on June March 1st.~~

Section 2. **Severability.** Should any provision of this ordinance be deemed unconstitutional or unenforceable by a court of competent jurisdiction, such provision shall be severed from the ordinance, and such severance shall not affect the remainder of the ordinance.

Section 3. **Effective Date; Posting.** This ordinance shall take effect thirty (30) days after its second reading. This ordinance shall be posted at City Hall.

The foregoing ordinance was introduced at the regular meeting of the City Council of the City of Morgan Hill held on the 19th Day of February 2003, and was finally adopted at a regular meeting of said Council on the 5th Day of March 2003, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**

ATTEST:

APPROVED:

Irma Torrez, City Clerk

Dennis Kennedy, Mayor

∞ **CERTIFICATE OF THE CITY CLERK** ∞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Ordinance No. 1608, New Series, adopted by the City Council of the City of Morgan Hill, California at their regular meeting held on the 5th Day of March, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, CITY CLERK